

Nestlé S.A.
Board of Directors
BOARD REGULATIONS

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INTRODUCTION

Based on art. 716b CO and the Company's Articles of Association, the Board of Directors of Nestlé S.A. adopts these Board Regulations (the "Regulations").

The Regulations define the organisation, operation and the powers and responsibilities of the governance bodies of Nestlé S.A. (the "Company"), as well as the principles for the governance of the Nestlé Group (the "Group").

Throughout these Regulations, all references to titles, functions and individuals shall refer to both genders.

1. THE COMPANY'S GOVERNANCE BODIES

The Company's governance bodies are as follows:

- ◆ Board of Directors (BOARD)
- ◆ Chairman's and Corporate Governance Committee (CCGC)
- ◆ Compensation Committee (CC)
- ◆ Nomination Committee (NC)
- ◆ Audit Committee (AC)
- ◆ Chairman of the Board
- ◆ Chief Executive Officer (CEO)¹
- ◆ Executive Board (EB)

2. THE BOARD OF DIRECTORS (BOARD)

2.1 Constitution

The Board elects, for a one-year term, taking effect as of each Annual General Meeting until the next Annual General Meeting:

- ◆ the Chairman
- ◆ two Vice Chairmen
- ◆ the members of the committees
- ◆ the CEO

The Board further appoints the Secretary to the Board and his substitutes, who need not be Board members. The committees may designate their own secretaries.

¹ In these Regulations, the designation "Chief Executive Officer" corresponds to the term "Administrateur Délégué".

The terms of office of all Board members shall be structured in a manner that a member's term expires no later than the Annual General Meeting following his or her 72nd birthday.

In principle, the initial term of a Board member is as set in the Company's Articles of Association. The renewal of a Board member's term is subject to Board approval and shareholder vote.

Each year the Board shall be renewed by rotation, if possible in equal numbers in a way that, after a term period, all Board members will have been subject to re-election.

In the event of a change in the number of Board members, the Board shall establish a new order of rotation.

2.2 Assignment of Responsibilities, Powers and Duties

The Board is the ultimate governance body of the Company. It is further responsible for the ultimate supervision of the Group. The Board attends to all matters which are not reserved to the General Meeting or another governance body of the Company by law, the Articles of Association or these Regulations.

The Board has the following non-transferable duties:

- a) the ultimate direction of the Company, in particular the conduct, management and supervision of the business of the Company, and the provision of necessary directions;
- b) the determination of the Company's organisation, including the adoption and amendment of these Regulations;
- c) the determination of accounting and financial control principles, as well as the principles of financial planning;
- d) - the appointment and removal of the Chairman and the Vice Chairmen;
- the appointment and removal of committee members and the determination of the powers and duties of the Board committees;
- the appointment and removal of the CEO and members of the EB;
- the ratification of the nomination of the Company's Senior Vice-Presidents;
- the granting of signatory powers to persons representing the Company;
- e) the constitution of additional committees to deal with special subjects or carry out specific tasks;
- f) the ultimate supervision of the CEO and the members of the EB, in particular with respect to their compliance with law, the Articles of Association, these Regulations and instructions given from time to time by the Board;

- g) - the preparation of the management report in accordance with the provisions of the law;
 - the preparation of the General Meetings, including the agenda and proposals;
 - the implementation of resolutions of the General Meetings, including the determination of the manner in which the dividend shall be paid;
- h) the establishment and closing of branch offices of the Company;
- i) the notification of the court in the event of over-indebtedness;
- j) the discussion and approval of:
 - the Group's long-term strategy and annual investment budget, as well as investments and divestitures outside the Group's strategy;
 - any investments, participations, acquisitions or divestitures not provided for in the Group's annual investment budget, in excess of CHF 1 billion per case, subject to 3.2 of these Regulations;
 - the constitution of new companies in countries where the Group is not yet present;
 - major financial operations;
- k) the discussion and approval of:
 - any significant policy issue concerning the Company's or the Group's general structure or financial, commercial and industrial policy;
 - the corporate governance of the Company;
 - the review of and decision on any report submitted to the Board;
 - any request proposed to the Board to take a decision.

2.3 Delegation of Powers

The Board delegates the powers and duties to the Board committees as specified in these Regulations.

The Chairman leads the Board in the exercise of its non-transferable and inalienable duties and as otherwise specified in these Regulations.

The Board otherwise delegates to the CEO – with the authorisation to sub-delegate – the power to manage the Company's and the Group's business, subject to law, the Articles of Association, these Board Regulations and the Regulations for the EB.

The Board may, upon giving appropriate notice to the relevant governance body or individuals, to whom it has, directly or indirectly, delegated any of its powers and duties, re-assume responsibility for such powers and duties. Similarly, the Board may, upon giving appropriate notice, delegate such powers and duties to any other corporate body or individuals, as it may from time to time deem appropriate. Any such

delegation shall operate as a variation of the rules of competence set forth in these Regulations unless and until the Board re-assumes responsibility for any delegated matter.

2.4 Information of Board Members

Each Board member is entitled to receive information on all of the Company's and the Group's business.

During Board meetings, each Board member is entitled to request information from other Board members as well as from the Chairman, the CEO and from EB members. Between meetings, each Board member is entitled to request from these persons, with notification to the Chairman, information on the Company's and the Group's business and, with prior authorization of the Chairman, on specific business items.

If the Chairman denies a request for information, hearing or consultation, the Board shall decide whether or not to grant such request.

Insofar as is necessary for the implementation of his or her tasks, each Board member is entitled to ask the Chairman to inspect the books or records.

2.5 Meetings and Agenda, Participation of non-Board Members, "In Camera" sessions

The Board shall meet as often as necessary for the Company's and the Group's business, at least quarterly, and on notice by the Chairman or by the person designated by him.

In addition, the Board must be convened as soon as a Board member requests the Chairman for a meeting in writing, stating his/her reasons for doing so.

The notice of meetings must include the agenda. It is sent out in writing by any suitable means.

The Chairman shall decide whether or not non-Board members may participate without voting rights in Board meetings.

"In Camera" sessions

At least twice a year, the Board shall meet for "In Camera" sessions, usually on the evening preceding a Board Meeting with the following purpose:

In **February**, in an executive and non-executive session, to evaluate and assess its own performance, the way it functions and operates, as well as the performance of its members, and the compliance with the law, Articles of Association, Regulations and

instructions given. During this session, the EB's compensation and the Board's remuneration shall be discussed.

In a non-executive session, without the presence of the CEO, the performance of the CEO shall be evaluated, his compensation package shall be discussed and any other related matters that the Board wishes to discuss. This shall apply *mutatis mutandis* to the Chairman, such sessions to be chaired by a Vice Chairman.

In **June**, in an executive and non-executive session, the CEO together with the Chairman shall evaluate the performance of the individual members of the EB, and the Emergency Organisation of the Board and the EB shall be reviewed.

In a non-executive session, without the presence of the Chairman and/or the CEO and under the Chairmanship of a Vice Chairman, the Board may discuss any other matters.

Any Board member has the right, by indicating the agenda item(s), to request from the Chairman, to convene an "In Camera" session preceding any of the Board meetings, without the presence of the CEO. This shall apply *mutatis mutandis* to the Chairman, such sessions to be chaired by a Vice Chairman.

The Chairman shall inform the CEO about the agenda item(s) to be discussed during the non-executive sessions as well as about the outcome of the discussions.

2.6 Resolutions, Minutes

The Board shall have a quorum when the majority of its members are present in person, by telephone or other means of direct communication.

No quorum is required if the meeting is called to certify a capital increase and to effect the respective amendments of the Articles of Association.

Resolutions of the Board are adopted by a majority of members present at the meeting. In case of a tie, the chairman of the meeting has a casting vote.

Resolutions may also be adopted in writing by a majority of Board members, on the basis of a written document sent to all Board members, unless a Board member requests oral deliberation.

The Board's deliberations and resolutions are recorded in Minutes signed by the chairman of the meeting and the Secretary to the Board.

Resolutions adopted in writing are minuted in the next Board meeting.

2.7 Remuneration

The Board alone has the power to determine, based on recommendations of the Compensation Committee, the fees due to its members.

2.8 Outside Counsel

The Board or any of its committees are free to engage outside counsel if they deem this to be appropriate.

3. THE CHAIRMAN'S AND CORPORATE GOVERNANCE COMMITTEE (CCGC)

3.1 Composition

The CCGC consists of the Chairman, the two Vice Chairmen, the CEO and any other member elected by the Board.

3.2 Powers and Duties

The CCGC liaises between the Chairman and the full Board, in order to expedite whenever necessary the handling of the Company's business.

The CCGC acts as a consultant body for the Chairman. In exceptional and urgent cases and upon proposal by the Chairman, it deals with business matters which fall within the authority of the Board and which might arise in between meetings of the Board.

The powers and duties of the CCGC are determined in its Charter, which is approved by the Board. In particular,

- it follows the main elements of the management carried out by the Chairman and the CEO and acts as their counselor;
- upon proposal by the Chairman and the CEO, it approves investments, participations, acquisitions or divestitures not provided for in the Group's annual investment budget, above CHF 400 million and up to CHF 1 billion per case;
- in exceptional and urgent cases and upon proposal by the Chairman and the CEO, it approves investments, participations, acquisitions or divestitures by the Group in excess of CHF 1 billion per case which are in line with the Group's strategy, but have not been foreseen in the Group's annual investment budget; it immediately informs the Board of such cases;
- it prepares certain Board decisions and exercises such other tasks as are determined in its Charter.

- it advises on corporate governance issues and prepares recommendations for the Board.
- it supports and advises on matters related to the Company's financing, financial risk management, as well as treasury, insurance and pension management.

3.3 Meetings, Minutes

The CCGC meets as often as is necessary and at the request of any of its members.

The CCGC shall establish its own terms of reference.

It shall regularly report to the Board on its activities and findings.

The Secretary to the Board is responsible for the Minutes, which are made available to the Board members by being incorporated into the Board documentation.

4. THE COMPENSATION COMMITTEE (CC)

4.1 Composition

The CC consists of one Vice Chairman and a minimum of two other non-executive members of the Board. All members shall be independent.

4.2 Powers and Duties

The CC recommends to the Board the compensation policy and the fees paid to the Members of the Board, including the compensation of the Chairman.

The CC proposes to the Board the remuneration system and principles for the Group for approval. It reviews performance relevant to compensation and determines individual compensation and benefit conditions for designated senior executives.

The powers and duties of the CC are determined in its Charter, which is approved by the Board. In particular,

- it prepares the principles for remuneration of the members of the Board and submits them to the Board for approval;
- it oversees and discusses the remuneration system and principles for remuneration for the Company and the Group and submits them to the Board for approval;
- it proposes to the Board the remuneration of the Chairman, the CEO and the Executive Board as a whole and approves the individual remunerations of the members of the EB as proposed by the CEO together with the Chairman.
- It performs other tasks in relation to compensation and benefits, as may be delegated by the Board.

4.3 Meetings, Minutes

The CC meets as often as necessary and at the request of any of its members.

The CC shall establish its own terms of reference.

It shall regularly report to the Board on its activities and findings.

It appoints its own secretary and keeps its own minutes.

5. THE NOMINATION COMMITTEE (NC)

5.1 Composition

The NC shall be chaired by an independent and non-executive member of the Board, preferably not a member of the CCGC. The other members shall be the Chairman of the Board and a minimum of two independent and non-executive members of the Board.

5.2 Powers and Duties

The NC establishes the principles for the selection of candidates to the Board, selects candidates for the election or re-election to the Board and prepares a proposal for the Board's decision. It shall regularly review the Board's independence.

The candidates to the Board shall possess the necessary qualifications and experience to discharge their duties. Newly appointed Board members shall receive an appropriate introduction into the business and affairs of the Company and the Group. If appropriate, the Board shall arrange for further training of its members.

The powers and duties of the NC are determined in its Charter, which is approved by the Board.

The Board is free to appoint additional members to the NC for specific situations where a particular experience is required.

5.3 Meetings, Minutes

The NC meets as often as necessary and at the request of any of its members.

The NC shall establish its own terms of reference.

It shall regularly report to the Board on its activities and findings.

It appoints its own secretary and keeps its own minutes.

6. THE AUDIT COMMITTEE (AC)

6.1 Composition

The AC consists of one Vice Chairman, who chairs the Committee, and a minimum of two other non-executive members of the Board, excluding the CEO as well as any former member of the EB. A majority of its members shall be independent. At least one member has to have recent and relevant financial expertise.

6.2 Powers and Duties

The AC assists the Board in fulfilling its responsibilities with respect to the accounting and financial reporting processes, the internal and external audit processes as well as its overview of the risk management processes.

The powers and duties of the AC are determined in the Audit Committee Charter, which is approved by the Board.

In discharging its responsibilities, the AC shall have unrestricted access to the Company's management, books and records.

The AC shall regularly report to the Board on its findings and propose appropriate actions. The responsibility for approving the annual financial statements remains with the Board.

6.3 Meetings, Minutes

The AC shall meet as often as necessary, and at the request of any of its members.

The AC shall establish its own terms of reference.

It shall regularly report to the Board on its activities and findings.

It appoints its own secretary and keeps its own minutes.

7. THE CHAIRMAN OF THE BOARD

7.1 Role, Powers and Duties of the Chairman

The Chairman's role is to supervise the management of the Company's governance, subject to the powers of the Board. He has the following powers and duties:

- a) The Chairman leads the Board in the exercise of its non-transferable duties, including the ultimate management and oversight of the Company, the exercise of its organizational and finance responsibility, the appointment and removal of

executive management, and the proposals to shareholders.

- b) Together with the CEO, the Chairman assumes the overall responsibility for the development of the Group's strategies and fosters an alignment and common understanding of strategies and their implementation between the Board and the EB. He generally attends the yearly strategy meeting in Glion in an advisory capacity.
- c) He ensures the proper information flow to the Board and ensures the alignment of the Board committees to the Board's strategy.
- d) He, on behalf of the Board, exercises the ongoing supervision and control over the CEO and through him over the EB.
- e) He organizes and chairs the General Meetings and acts as a steward and guardian for the shareholders between meetings.
- f) He is responsible, in coordination with the CEO, to prepare the agenda, organize and chair the Board meetings.
- g) He coordinates the agendas of all Board activities and has the right to attend the meetings of all the Board's committees.
- h) He prepares the agenda, organizes and chairs the CCGC. He takes a leading role in designing the Group's Corporate Governance.
- i) He works closely with the NC to ensure the Board's self-assessment and Directors' nomination.
- j) He advises the CEO and acts as a link between the Board and the CEO.
- k) He, together with the CEO, undertakes the proposition of the nomination and individual evaluation of the members of the EB. The CEO together with the Chairman manages the succession planning at the EB level and for key management positions.
- l) He oversees, together with the CEO, that the fundamental values and principles of Nestlé, as expressed in the Nestlé Management and Leadership Principles and the Nestlé Corporate Business Principles, are being respected and whenever necessary updated.
- m) He oversees the Group's high quality reputation and takes an active role in representing the Group to important investors and other stakeholders as well as the general public. The press conference and road shows are under normal circumstances led by the CEO and management.
- n) He takes an active role in positioning the Group on issues of public affairs and corporate, social and environmental responsibility. He represents the Company to the outside in selected institutions, such as the World Economic Forum, the ERT and other institutions as agreed with the Board and the CEO.
- o) He represents the Company and ensures the adequate Nestlé representation on the Board of Directors of its investments in L'Oréal and Alcon and otherwise as agreed with the Board and the CEO. Joint Ventures and other operational investments are managed by the CEO and the EB.

- p) He signs the requests for inscription of signatory powers to the Commercial Registrar.
- q) He receives the agenda, documents and minutes of the EB meetings (EBM), the Key Markets' Conferences (KMC), the Market Managers' Conferences (MMC) and the "Glion meetings" of the EB. He may request information about any matters relating to the Company, and may examine reports, proposals and minutes of meetings of any functions or committees of the Corporate Center or the markets or businesses.
- r) As an exception, urgent decisions falling within the authority of the Board may, in accordance with the Regulations, be taken by the Chairman or the CCGC. Such decisions must be brought to the attention of the Board as soon as possible. This provision is not applicable to the non-transferable duties of the Board.
- s) He together with the CEO approves investments, participations, acquisitions or divestitures not provided for in the Group's annual investment budget above CHF 100 million and up to CHF 400 million per case.

Should the Chairman be unable to carry out these duties, one of the Vice Chairmen shall act in his stead.

7.2 Reporting

The Chairman shall keep the Vice Chairmen, the Board and the committees regularly informed on the Company's and the Group's business, including affiliated companies, by submitting, for information and discussion, written or oral reports on any matter delegated to him by the Board. In particular, the Chairman shall inform the Board of any nomination and dismissal of key managers.

In case of an extraordinary event, the Chairman shall immediately inform the Board. At Board meetings, the Chairman shall report either himself or, at his choice, via members of the EB.

8. THE CHIEF EXECUTIVE OFFICER

8.1 Role, Powers and Duties of the Chief Executive Officer

The CEO is the Company's and the Group's supreme executive authority, subject to the powers and duties reserved to the Board, the committees of the Board and the Chairman. The Company's and the Group's whole organisation and staff are subordinated to him.

Subject to the Chairman's powers and duties outlined above, the CEO has the following powers and duties:

- a) to organise, manage and monitor the Company's affairs;
- b) to define the Company's and the Group's internal organisation, including the establishment of the regulations of the EB subject to the Articles of Association and these Regulations;
- c) to represent the Group vis-à-vis the outside world;
- d) to approve investments, participations, acquisitions or divestitures not provided for in the Group's annual investment budgets of up to CHF 100 million per case and up to CHF 400 million per case together with the Chairman;
- e) to submit, together with the Chairman, proposals to the Board for the nomination and dismissal of members of the EB, and for the nomination of Senior Vice-Presidents of the Company;
- f) to proceed with all nominations and dismissals, other than the members of the EB (subject to 2.2 d);
- g) to prepare, call and chair the meetings of the EB;
- h) to submit to the Board the annual investment budgets, as well as investments and divestitures outside the Group's strategy, and any investments, participations, acquisitions or divestitures not provided for in the Group's annual investment budget in excess of CHF 1 billion per case, subject to 3.2 of these Regulations;
- i) to submit to the CCGC the investments and divestitures mentioned in 3.2 of these Regulations.

8.2 Reporting

The Chief Executive Officer shall report to the Chairman.

9. THE VICE CHAIRMEN

The Board shall appoint two Vice Chairmen. As independent Directors they will work closely with the Chairman on strategic marketing and industrial issues as well as finance and internal control issues.

One of the Vice Chairmen should have industry experience on a global scale and may also assume the role of a prime intermediary (Lead Director) between the Board and the Chairman. He may convene and chair "In Camera" sessions where the Chairman and the CEO are not present. He will communicate the outcome of these sessions to the Chairman and the CEO.

The other Vice Chairman should be financially literate and he shall help and ensure the good functioning of the internal controls, as well as the financial soundness of the Group. He shall chair the AC.

10. GENERAL PROVISIONS

10.1 Signatory Powers

The Chairman and the CEO have the power to represent the Company by individual signature. The Board may extend the signatory power to other Board members.

Unless otherwise resolved by the Board, the members of the EB and Senior Vice Presidents of the Company have the power to represent the Company with individual signature. The signatory powers of all other persons authorized to act on behalf of the Company shall be determined by the Chairman and the CEO upon appointment of such persons.

10.2 Confidentiality

Board members shall at all times keep secret any information and documents into which they had insight during their terms of office.

Furthermore, the Board members shall observe the rule that communication with the outside world is done exclusively by the Chairman and the CEO or the person authorized by them to speak on his behalf.

At the expiry of their terms of office, Board members shall return all Company or Group business documents to the Company.

10.3 Conflict of Interest

Board Members shall abstain from participating in deliberations and from exercising their voting rights in matters for which they have a conflict of interest.

A Board member, who has a conflicting interest in a matter which involves the Company, shall promptly disclose the nature of his or her interest to the Board. A conflicting interest shall mean the special interest the Board member has with respect to a transaction due to the fact he or she or a related person has a financial or non-financial interest in, or is otherwise closely linked to, the transaction, and such interest is of such significance to the Board member or a related person that such interest could reasonably be expected to interfere with the Board member's judgment.

If a Board member is required to abstain from voting in a matter, he or she shall not be counted in the quorum of the meeting in question. Also, such a Board member shall use best efforts to ensure that he or she does not receive any confidential information with respect to such a transaction.

10.4 Nestlé Policy on Insider Information

Board members are subject to the "Nestlé Policy on Insider Information" and, in particular, the "Closed Periods" and the "Quiet Periods".

10.5 Entry into Effect

These Regulations replace the previous Board Regulations of April 10th, 2008, and shall come into effect on 23rd April 2009.

The Board shall review the Regulations every other year.

Vevey, 23rd April 2009

The Chairman :

A handwritten signature in black ink, appearing to read 'P. Brabeck-Letmathe', is written over a horizontal dotted line.

Peter Brabeck-Letmathe