

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2020 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2020 or fiscal plan year beginning <u>01/01/2020</u> and ending <u>12/31/2020</u>	
A This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____
B This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>NESTLE PUERTO RICO PENSION PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>116</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>09/23/2011</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>116</u>	1c Effective date of plan <u>09/23/2011</u>	
1b Three-digit plan number (PN) ▶	<u>116</u>				
1c Effective date of plan <u>09/23/2011</u>					
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>NESTLE PUERTO RICO, INC.</u> <u>BARRIO QUEBRADA ARENAS SAN JUAN</u> <u>INDUSTRL PARK CARRETERA #1KM25.30</u> <u>SAN JUAN, PR 00926</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>66-0773236</u></td> </tr> <tr> <td>2c Plan Sponsor's telephone number <u>787-999-5100</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>424400</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>66-0773236</u>	2c Plan Sponsor's telephone number <u>787-999-5100</u>	2d Business code (see instructions) <u>424400</u>	
2b Employer Identification Number (EIN) <u>66-0773236</u>					
2c Plan Sponsor's telephone number <u>787-999-5100</u>					
2d Business code (see instructions) <u>424400</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/13/2021	KRISTEN MCBRIDE
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/13/2021	NELSON PENA
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2020)
v. 200204

3a Plan administrator's name and address ☐ Same as Plan Sponsor NESTLE USA, INC 30500 BAINBRIDGE RD SOLON, OH 44139-2205		3b Administrator's EIN 95-1572209	
		3c Administrator's telephone number 440-349-5757	
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name		4b EIN	
		4d PN	
5 Total number of participants at the beginning of the plan year		5	299
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year..... a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested			
		6a(1)	50
		6a(2)	35
		6b	110
		6c	112
		6d	257
		6e	27
		6f	284
		6g	
		6h	0
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)		7	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 1A 1C 1I 3C 3H b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:			
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor		9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)			
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☒ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ <u>0</u> A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)	

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2020 Form M-1 annual report. If the plan was not required to file the 2020 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2020 This Form is Open to Public Inspection
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For calendar plan year 2020 or fiscal plan year beginning 01/01/2020 and ending 12/31/2020

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>NESTLE PUERTO RICO PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>116</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>NESTLE PUERTO RICO, INC.</u>	D Employer Identification Number (EIN) <u>66-0773236</u>

E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500
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Part I	Basic Information
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1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2020</u>			
2 Assets:			
a Market value	2a	<u>17301714</u>	
b Actuarial value	2b	<u>17301714</u>	
3 Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
a For retired participants and beneficiaries receiving payment.....	<u>138</u>	<u>6592995</u>	<u>6592995</u>
b For terminated vested participants.....	<u>111</u>	<u>3121151</u>	<u>3121151</u>
c For active participants	<u>50</u>	<u>1604287</u>	<u>1653664</u>
d Total.....	<u>299</u>	<u>11318433</u>	<u>11367810</u>
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)..... ☐			
a Funding target disregarding prescribed at-risk assumptions	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor.....	4b		
5 Effective interest rate	5	<u>5.26</u> %	
6 Target normal cost.....	6	<u>0</u>	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE		<u>10/11/2021</u>
Signature of actuary		Date
<u>MICHAEL ALTILIO</u>		<u>20-07062</u>
Type or print name of actuary		Most recent enrollment number
<u>WILLIS TOWERS WATSON US LLC</u>		<u>973-290-2500</u>
Firm name		Telephone number (including area code)
<u>8 CAMPUS DRIVE</u> <u>4TH FLOOR</u> <u>PARSIPPANY, NJ 07054</u>		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice, see the Instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2020
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Part II Beginning of Year Carryover and Prefunding Balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	139925	0
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8)	139925	0
10 Interest on line 9 using prior year's actual return of <u>21.07</u> %	29482	0
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		0
b(1) Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>5.48</u> %		0
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		0
c Total available at beginning of current plan year to add to prefunding balance		0
d Portion of (c) to be added to prefunding balance		0
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	169407	0

Part III Funding Percentages

14 Funding target attainment percentage	14	150.70 %
15 Adjusted funding target attainment percentage	15	152.19 %
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	134.00 %
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and Liquidity Shortfalls**18** Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
Totals ▶			18(b)	0	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contributions from prior years	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	0

20 Quarterly contributions and liquidity shortfalls:

- a** Did the plan have a "funding shortfall" for the prior year? ☐ Yes ☒ No
- b** If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☐ Yes ☐ No
- c** If line 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th

Part V	Assumptions Used to Determine Funding Target and Target Normal Cost
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21 Discount rate:			
a Segment rates:	1st segment: 3.64 %	2nd segment: 5.21 %	3rd segment: 5.94 %
			☐ N/A, full yield curve used
b Applicable month (enter code)			21b 4
22 Weighted average retirement age			22 61
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute			

Part VI	Miscellaneous Items
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24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.		☒ Yes ☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.		☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.		☒ Yes ☐ No
27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment.	27	

Part VII	Reconciliation of Unpaid Minimum Required Contributions For Prior Years
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28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII	Minimum Required Contribution For Current Year
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31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a		0
b Excess assets, if applicable, but not greater than line 31a	31b		0
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	0	0	
b Waiver amortization installment	0	0	
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)	34	0	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	0	0	0
36 Additional cash requirement (line 34 minus line 35)	36	0	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	0	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years	40	0	

Part IX	Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)
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41 If an election was made to use PRA 2010 funding relief for this plan:	
a Schedule elected	☐ 2 plus 7 years ☐ 15 years
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2020
		This Form is Open to Public Inspection.

For calendar plan year 2020 or fiscal plan year beginning 01/01/2020 and ending 12/31/2020		
A Name of plan NESTLE PUERTO RICO PENSION PLAN	B Three-digit plan number (PN) ▶	116
C Plan sponsor's name as shown on line 2a of Form 5500 NESTLE PUERTO RICO, INC.	D Employer Identification Number (EIN) 66-0773236	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. ☐ Yes ☒ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	KPMG, LLP	b EIN:	13-5565207
c Position:	AUDITOR		
d Address:	ONE CLEVELAND CENTER SUITE 2600 1375 EAST NINTH STREET CLEVELAND, OH 44114-1796	e Telephone:	216-696-9100

Explanation: ABLE TO COMBINE REQUIRED PLAN SERVICES UNDER NEW ACCOUNTING FIRM.

a Name:	JEREMY L. SEVCIK	b EIN:	53-0181291
c Position:	ACTUARY		
d Address:	2010 MAIN STREET SUITE 1050 IRVINE, CA 92614-7206	e Telephone:	949-224-6536

Explanation: REASSIGNMENT OF WORK WITHIN WILLIS TOWERS WATSON

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2020 This Form is Open to Public Inspection
For calendar plan year 2020 or fiscal plan year beginning <u>01/01/2020</u> and ending <u>12/31/2020</u>		
A Name of plan <u>NESTLE PUERTO RICO PENSION PLAN</u>	B Three-digit plan number (PN) ►	<u>116</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>NESTLE PUERTO RICO, INC.</u>	D Employer Identification Number (EIN) <u>66-0773236</u>	

Part I	Asset and Liability Statement		(a) Beginning of Year	(b) End of Year
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.				
	Assets			
a	Total noninterest-bearing cash.....	1a	0	0
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)	0	0
	(2) Participant contributions.....	1b(2)	0	0
	(3) Other	1b(3)	0	0
c	General investments:			
	(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	0	0
	(2) U.S. Government securities	1c(2)	0	0
	(3) Corporate debt instruments (other than employer securities):			
	(A) Preferred	1c(3)(A)	0	0
	(B) All other	1c(3)(B)	0	0
	(4) Corporate stocks (other than employer securities):			
	(A) Preferred	1c(4)(A)	0	0
	(B) Common	1c(4)(B)	0	0
	(5) Partnership/joint venture interests	1c(5)	0	0
	(6) Real estate (other than employer real property)	1c(6)	0	0
	(7) Loans (other than to participants)	1c(7)	0	0
	(8) Participant loans	1c(8)	0	0
	(9) Value of interest in common/collective trusts	1c(9)	0	0
	(10) Value of interest in pooled separate accounts	1c(10)	0	0
	(11) Value of interest in master trust investment accounts	1c(11)	17301714	18167133
	(12) Value of interest in 103-12 investment entities	1c(12)	0	0
	(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	0	0
	(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)	0	0
	(15) Other	1c(15)	0	0

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities.....	1d(1)	0	0
(2) Employer real property.....	1d(2)	0	0
e Buildings and other property used in plan operation	1e	0	0
f Total assets (add all amounts in lines 1a through 1e)	1f	17301714	18167133

Liabilities

g Benefit claims payable	1g	0	0
h Operating payables	1h	0	0
i Acquisition indebtedness.....	1i	0	0
j Other liabilities.....	1j	0	0
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	17301714	18167133
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	0	
(B) Participants	2a(1)(B)	0	
(C) Others (including rollovers).....	2a(1)(C)	0	
(2) Noncash contributions	2a(2)	4240	4240
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)	0	
(B) U.S. Government securities	2b(1)(B)	0	
(C) Corporate debt instruments	2b(1)(C)	0	
(D) Loans (other than to participants)	2b(1)(D)	0	
(E) Participant loans.....	2b(1)(E)	0	
(F) Other	2b(1)(F)	0	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock.....	2b(2)(A)	0	
(B) Common stock	2b(2)(B)	0	
(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	0	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		0
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	0	
(B) Aggregate carrying amount (see instructions).....	2b(4)(B)	0	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	0	
(B) Other	2b(5)(B)	0	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		2035161
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		0
c Other income	2c		0
d Total income. Add all income amounts in column (b) and enter total.....	2d		2039401

Expenses**e** Benefit payment and payments to provide benefits:

(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	1169742	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other.....	2e(3)	4240	
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		1173982
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions).....	2g		0
h Interest expense.....	2h		0
i Administrative expenses: (1) Professional fees	2i(1)	0	
(2) Contract administrator fees	2i(2)	0	
(3) Investment advisory and management fees	2i(3)	0	
(4) Other.....	2i(4)	0	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		1173982

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		865419
l Transfers of assets:			
(1) To this plan.....	2l(1)		0
(2) From this plan	2l(2)		0

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unmodified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **ERNST & YOUNG U.S. LLP**

(2) EIN: **34-6565596**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)			
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d		X	
e Was this plan covered by a fidelity bond?	X		20000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)			
4i		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			
5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.			
5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)			
5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)	
5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☒ No ☐ Not determined If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.			

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2020 This Form is Open to Public Inspection.
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For calendar plan year 2020 or fiscal plan year beginning 01/01/2020 and ending 12/31/2020

A Name of plan <u>NESTLE PUERTO RICO PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>116</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>NESTLE PUERTO RICO, INC.</u>	D Employer Identification Number (EIN) <u>66-0773236</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>36-3046063</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	<u>12</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
----------------	---

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☒ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☒ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
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Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2020
v. 200204

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14 Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:		
a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....	14a	
b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....	14b	
c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....	14c	
15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	
16 Information with respect to any employers who withdrew from the plan during the preceding plan year:		
a Enter the number of employers who withdrew during the preceding plan year	16a	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	
17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
----------------	---

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐	
19 If the total number of participants is 1,000 or more, complete lines (a) through (c)	
a Enter the percentage of plan assets held as: Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%	
b Provide the average duration of the combined investment-grade and high-yield debt: ☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more	
c What duration measure was used to calculate line 19(b)? ☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____	
20 PBGC missed contribution reporting requirements. If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.	
a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☒ No	
b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:	
☐ Yes.	
☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.	
☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.	
☐ No. Other. Provide explanation _____	

NESTLÉ PUERTO RICO PENSION PLAN

Financial Statements

December 31, 2020 and 2019

(With Report of Independent Auditors)

NESTLÉ PUERTO RICO PENSION PLAN

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Report of Independent Auditors

To the Plan Administrator of Nestlé Puerto Rico Pension Plan:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Nestlé Puerto Rico Pension Plan, which comprise the statements of net assets available for benefits and accumulated plan benefits as of December 31, 2020, and the related statements of changes in net assets available for benefits and changes in accumulated plan benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the certified investment information described in Note 5, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the entity that certified the investment information meets the requirements of 29 CFR 2520.103-8. The plan administrator has obtained a certification as of December 31, 2020, and for the year then ended, stating that the investment information provided to the plan administrator is complete and accurate.

Disclaimer of Opinion on Financial Statements

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Disclaimer of Opinion of Other Auditors on 2019 Financial Statements

Other auditors disclaimed an opinion on the 2019 financial statements of Nestlé Puerto Rico Pension Plan on October 14, 2020, as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Their report indicated that (a) because of the significance of the information that they did not audit, they were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and, accordingly, they did not express an opinion on the financial statements and (b) the form and content of the information included in the 2019 financial statements other than that derived from the certified investment information were presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Report on Compliance of Form and Content with Department of Labor's Rules and Regulations

The form and content of the information included in the 2020 financial statements, other than that derived from the certified investment information, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Ernst + Young LLP

October 12, 2021

NESTLÉ PUERTO RICO PENSION PLAN

Statements of Net Assets Available for Benefits

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Investments, at fair value (notes 5, 7, and 8):		
Plan interest in Nestlé in the USA Pension Trust	\$ <u>18,167,133</u>	<u>17,301,714</u>
Net assets available for benefits	\$ <u><u>18,167,133</u></u>	<u><u>17,301,714</u></u>

See accompanying notes to financial statements.

NESTLÉ PUERTO RICO PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2020

Investment income:

Plan interest in Nestlé in the USA Pension Trust investment income	\$ <u>2,065,916</u>
Total investment income	<u>2,065,916</u>

Contributions:

Reimbursement from group annuity contract (note 2(e))	<u>4,240</u>
Total contributions	<u>4,240</u>

Deductions:

Benefits paid to participants	1,169,742
Benefits paid on behalf of group annuity contract (note 2(e))	4,240
Investment and administrative expenses	<u>30,755</u>
Total deductions	<u>1,204,737</u>
Net increase	865,419

Net assets available for benefits:

Beginning of year	<u>17,301,714</u>
End of year	\$ <u><u>18,167,133</u></u>

See accompanying notes to financial statements.

NESTLÉ PUERTO RICO PENSION PLAN

Statements of Accumulated Plan Benefits

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Actuarial present value of accumulated plan benefits (note 2(c)):		
Vested benefits:		
Participants currently receiving payments	\$ 6,915,944	8,001,390
Other participants	<u>5,024,121</u>	<u>6,001,141</u>
	11,940,065	14,002,531
Nonvested benefits	<u>45,772</u>	<u>62,866</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 11,985,837</u>	<u>14,065,397</u>

See accompanying notes to financial statements.

NESTLÉ PUERTO RICO PENSION PLAN
Statement of Changes in Accumulated Plan Benefits
Year ended December 31, 2020

Actuarial present value of accumulated plan benefits at beginning of year	\$ 14,065,397
Increase (decrease) during the year attributable to:	
Benefits accumulated and actuarial losses	339,733
Decrease in the discount period	390,935
Benefits paid	(1,169,742)
Other assumption changes (note 2(c))	(1,640,486)
Actuarial present value of accumulated plan benefits at end of year	\$ <u>11,985,837</u>

See accompanying notes to financial statements.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

(1) Description of the Plan

The following description of the Nestlé Puerto Rico Pension Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions. For purposes of the Plan, Nestlé Puerto Rico, Inc. (the Company) is the Plan Sponsor and Plan Administrator, and has designated Nestlé USA, Inc. to act as delegate of the Plan Administrator. The Plan is intended to be a qualified Plan in accordance with Puerto Rican law. The Plan trustee is UBS Trust Company of Puerto Rico, for the purpose of administering benefit payments to participants. The Plan's assets are invested in the Nestlé in the USA Pension Trust of which The Northern Trust Company is the trustee and custodian.

The following applies to the participants from other plans sponsored by Nestlé who were transferred to the Plan as of October 1, 2011, as well as any qualified new employee after October 1, 2011.

Effective December 31, 2013, the Plan was amended so that no additional benefit accruals would be earned by the participants and no additional employees would become participants in the Plan after January 1, 2013.

(a) Pension Benefits

Participating employees are eligible to receive benefits under the Plan document as follows:

(i) Traditional Benefit

Participants hired prior to May 1, 2003, who chose to remain on the Traditional formula during the pension choice period, with three or more years of vesting service are entitled to pension benefits beginning at normal retirement age of 65. The normal retirement benefit is determined based upon years of credited service, as defined, and the average of the participant's highest three consecutive years of pensionable earnings during the ten-year period prior to retirement (average annual compensation). The Plan permits retirement as early as age 55, but with a reduced benefit. The normal form of benefit payment is the Life Annuity Form for participants who are not married on the benefit commencement date and the Spouse's Annuity Form for participants who are married on the benefit commencement date. Subject to certain restrictions of the Plan, participants may elect to receive the value of their benefits as a life annuity, a lump-sum distribution, a ten-year certain annuity, or a joint-and-survivor annuity. Additionally, certain Nestlé Purina employees may be covered under an alternative final average pay formula or a career average pay formula subject to different normal and optional forms of payment.

(ii) Account Benefit

All participants hired after May 1, 2003 and prior to January 1, 2013, and participants hired prior to May 1, 2003, who chose the Account formula during the pension choice period, with three or more years of vesting service are entitled to pension benefits upon termination of employment. Participants earn an annual percentage based on the sum of the participant's age and years of vesting service (or points) for each year of credited service in the Plan. Upon termination, the annual percentages are added together to determine the final pension percentage. The final pension percentage is multiplied by the average of the participant's highest five consecutive years of pensionable earnings during the most recent ten-year period. The formula is expressed as a lump sum; however, the normal form of payment is the Life Annuity Form for participants who are not married on the benefit commencement date and the Spouse's Annuity Form for participants who are married on the benefit

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

commencement date. Subject to certain restrictions of the Plan, participants may elect to receive the value of their benefit as a lump-sum distribution, a life annuity, or a joint-and-survivor annuity. Additionally, certain Nestlé Purina employees may be covered under an alternative account benefit formula subject to different normal and optional forms of payment.

(iii) Other Benefits

Other plan provisions with limited applicability may also apply to former employees and acquired businesses such as Carnation and Gerber.

(b) Death and Disability Benefits

(i) Traditional Benefit

If an active participant dies after completing three years of vesting service, a death benefit may be paid to the participant's qualified surviving spouse. The amount of the benefit paid to the surviving spouse is computed with reference to the early retirement factors of the Plan for payments beginning after age 55.

(ii) Account Benefit

If an active participant dies, the participant's designated beneficiary will receive the value of the benefit. If the beneficiary is a spouse, the spouse may elect to receive the account benefit as either a lump sum or a life annuity. If the beneficiary is not a spouse, the account benefit is paid as a lump sum.

(2) Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Plan:

(a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Investment Valuation

Plan assets are held in the Nestlé in the USA Pension Trust (Pension Trust), which was established by Nestlé USA, Inc. for the pooled investment of assets for various qualified pension plans sponsored by Nestlé USA, Inc. and this Plan. The Pension Trust is maintained by The Northern Trust Company, as trustee.

The Pension Trust investments are stated at fair value, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*.

Purchases and sales of securities are recorded on a trade-date basis. Interest and other income are recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Pension Trust's gains and losses on investments bought and sold as well as held during the year.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

(c) Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, which are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries.

The accumulated plan benefits for active employees are based on credited service and the average of either the highest three or five years of pensionable earnings, as defined (i.e., total compensation, including bonuses and overtime), during the last ten calendar years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an independent actuary, Willis Towers Watson, and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements due to death, disability, termination, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations were as follows:

	<u>2020</u>	<u>2019</u>
Life expectancy of participants	Pri-2012, including separate assumptions for contingent survivors with Modified MP-2019 projection	Pri-2012, including separate assumptions for contingent survivors with Modified MP-2019 projection
Retirement age	Varying by age	Varying by age
ASC 960 discount rate and expected return on plan assets	4.30 %	2.90 %

For the year ended December 31, 2020, the methodology for calculating the ASC 960 discount rate and expected return on plan assets was updated from a market conditional 10-year with 50% net of fee alpha forecast to a strategic planning 20-year with 50% net of fee alpha forecast.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

(d) Administrative Expenses

Expenses of administering the Plan are paid by the Company or from Plan assets, subject to limitations under ERISA. The Plan allows for administrative expenses such as trustee fees, investment management fees, actuarial valuation fees, and accounting fees.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

(e) *Payment of Benefits*

Benefit payments to participants are recorded upon distribution. Assets are transferred from The Northern Trust Company to UBS to process benefit payments.

A portion of Plan benefits is payable by Metropolitan Life Insurance Company (MetLife) as a result of Nestlé USA, Inc.'s purchase of annuity contracts for certain former participants in the contributory Carnation Employees Retirement Plan Number Two, which was part of the Nestlé Pension Plan (and subsequently the Nestlé Puerto Rico Pension Plan). Certain Plan benefits have commenced, and continue to be paid, by the trustee, with MetLife reimbursing the Plan for any portion of said benefits that were previously purchased by the employee contributions.

(f) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

(g) *Risks and Uncertainties*

The Pension Trust invests in various investment securities. Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

(h) *Derivative Financial Instruments*

The Pension Trust accounts for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments not qualifying for hedge accounting be recorded on the statements of net assets available for benefits at their respective fair values.

The Pension Trust uses derivatives for the benefit of the plans in the Pension Trust as a tool to reduce risk and as an investment strategy. The Pension Trust will enter into the following types of derivative instruments: interest rate swaps, credit default swaps (CDSs), equity swaps, commodity swaps, financial futures, commodities futures, foreign exchange forward contracts and options, and swaptions and options. The derivative instruments outstanding as of period-end and the amounts of realized and unrealized gains and losses, as well as other income on derivative instruments during the period (as disclosed in the derivatives tables in note 7), serve as indicators of the volume of derivative activity for the Pension Trust. Derivative strategies involve risk and, like other investments, can lose value. The

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

impact on Pension Trust performance can be positive or negative, and will vary depending on market movements.

The Pension Trust manages interest rate risk using interest rate swaps and/or U.S. Treasury futures (interest rate hedge). The objective of the interest rate hedge is to manage the effective duration of the Pension Trust's assets to better match its defined benefit obligations, thereby protecting the funded ratio of the Pension Trust as interest rates fluctuate. Interest rate swaps and futures used in this manner adjust interest rate and yield curve exposures and substitute for physical securities.

The Pension Trust also uses derivatives as a substitute for physical securities in order to gain exposure to certain asset classes. Using derivatives instead of physical securities may be a more efficient means to gain exposure to an index or a market sector due to its characteristics of increased liquidity and reduced transaction costs. Using derivatives may also reduce the need to sell assets when there is a difficult trading environment. These derivatives are used to create credit, equity, and foreign exchange exposures.

The Pension Trust manages credit risk through use of CDSs. These derivatives are used to manage credit exposure without buying or selling securities outright. Written CDSs increase credit exposure (selling protection), obligating the Pension Trust to buy bonds from counterparties in the event of a default. Purchased CDSs decrease exposure (buying protection) providing the right to "put" (sell) bonds to the counterparty in the event of a default.

Counterparty risk for swaps and forwards that are not cleared through a central exchange is mitigated through the use of International Swaps and Derivatives Association (ISDA) standardized agreements that require gains and losses owed to and from the counterparty to be agreed daily, and gains or losses to be collateralized with cash. For futures, the gain (loss) is calculated and funds are transferred to and from the Pension Trust on a daily basis, based on the prior day's market valuation. The types of counterparties are large banks and brokers, and the investment managers each have netting arrangements within their accounts to reduce the exposure to any single counterparty.

Holding derivatives has a significant impact on cash flow. Daily mark to markets and accumulated gains and losses can be large, depending on the volatility of the markets. The Pension Trust has maintained the liquidity necessary to settle any losses under a variety of market conditions, including the most severe.

(i) Foreign Currency

The Pension Trust's investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

The Pension Trust does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net appreciation and depreciation from investments.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

(j) Recently Issued Accounting Standards

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 improves the disclosure requirements for fair value measurements. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Plan adopted the guidance beginning with the year ended December 31, 2020, and has retrospectively updated the applicable financial statements and related disclosures to reflect the adoption.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022. The Plan is currently evaluating this accounting standard and has not yet determined the impact to the financial statements.

(3) Funding Policy

The funding policy of the Company is to make contributions for each plan year in an amount not less than the minimum required contribution under the law and not more than the maximum tax-deductible contribution. The Company may vary its contribution level, if appropriate to its tax and cash position and the Plan's funded status. There were no contributions made for the plan year ended December 31, 2020, which met the ERISA minimum funding requirements.

(4) Plan Termination

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions set forth in ERISA.

(5) Trustee Certifications

The Plan Administrator's delegate has elected the method of compliance permitted by 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan Administrator's delegate has obtained certifications from The Northern Trust Company, the trustee of the Pension Trust in which the Plan participates, as of December 31, 2020 and 2019, and for the year ended December 31, 2020, that all of the information related to Plan interest in Nestlé in the USA Pension Trust and Plan interest in Nestlé in the USA Pension Trust investment income is complete and accurate. Information included in the accompanying financial statements and notes thereto, as to investments and investment income (loss), is presented in reliance upon those certifications.

(6) Parties in Interest

During the years ended December 31, 2020 and 2019, Nestlé in the USA Pension Trust had parties in interest that included Nestlé USA, Inc., trustee, investment advisory, legal, actuarial, and administrative service providers. The fees paid by the Pension Trust to these parties in interest were \$7,778,282 for the year ended December 31, 2020. The Plan's share of these expenses was \$30,755 for the Plan year ended December 31, 2020. These transactions qualify as party-in-interest transactions; however, they are exempt from prohibited transaction rules under ERISA.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

(7) Interest in Nestlé in the USA Pension Trust

The assets of the Plan are invested in the Pension Trust, in which the assets of the Plan are combined with the assets of other affiliated Nestlé USA, Inc. plans for investment purposes. Pursuant to relief provided under IRS Revenue Ruling 2011-1, a Puerto Rico only qualified plan that is formed as a part of a spin-off from a U.S. qualified plan pursuant to Revenue Ruling 2008-40 (as modified by Revenue Ruling 2011-1) is permitted to continue to participate in a U.S. group trust, and such continued participation will not cause the group trust to violate the requirements of Revenue Ruling 81-100 (which provides tax-exempt status to group trust holding assets of qualified plans). This relief will continue until such time as the IRS may issue further guidance as to whether a Puerto Rico only qualified plan may participate in such trust.

Pursuant to the trustee's method of allocating the investment holdings between the plans, contributions into the Pension Trust are treated as additions in the Pension Trust, withdrawals are treated as deductions in the Pension Trust, and investment income (loss) is allocated proportionately. Accordingly, the value of the Plan's investment in the Pension Trust is equal to the Plan's interest in each applicable investment increased or decreased by the Plan's allocated share in income, gains, and losses attributable to each applicable investment, which share is generally based upon the Plan's respective share of the Pension Trust's combined net assets available for benefits each month before investment income (loss) and net appreciation (depreciation) in the fair value of investments. Those investment expenses of the Pension Trust, which can be specifically identified as being applicable to the Plan, are charged to the Plan. The remaining investment expenses are allocated to the Plan based on the Plan's respective share of the Pension Trust's combined net assets available for benefits on a monthly basis.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

The Plan's investments consist of an undivided interest in investments held by the Pension Trust. The Plan's equitable share of the Pension Trust's net assets was approximately .40% for the years ended December 31, 2020 and 2019. The net assets of the Master Trust and the Plan's interest in the Pension Trust balances as of December 31, 2020 and 2019, are as follows:

	2020		2019	
	Master Trust	Plan's Interest in Master Trust	Master Trust	Plan's Interest in Master Trust
	Balances	Balances	Balances	Balances
Investments, at fair value:				
Unencumbered investments:				
The Northern Trust Company Core Qualified Collateral Section**	\$ —	—	102,513,511	395,056
Equities	1,110,864,322	4,382,805	1,031,040,290	3,973,317
Fixed income	3,037,487,985	11,984,108	2,879,840,026	11,098,030
Real estate	297,111,897	1,172,226	324,697,145	1,251,284
Other investments	472,588	1,865	701,132	2,702
Hedge funds	265,863,422	1,048,938	246,851,168	951,290
Cash and cash equivalents*	194,210,862	766,240	263,094,422	1,013,886
Total unencumbered investments	<u>4,906,011,076</u>	<u>19,356,182</u>	<u>4,848,737,694</u>	<u>18,685,565</u>
Securities pledged to creditors**:				
Equities	—	—	2,214,459	8,534
Fixed income	—	—	100,299,052	386,522
Total securities pledged to creditors	<u>—</u>	<u>—</u>	<u>102,513,511</u>	<u>395,056</u>
Total assets	<u>4,906,011,076</u>	<u>19,356,182</u>	<u>4,951,251,205</u>	<u>19,080,621</u>
Payable under securities loan agreements**	—	—	(102,513,511)	(395,056)
Liabilities	<u>(301,375,551)</u>	<u>(1,189,049)</u>	<u>(359,097,104)</u>	<u>(1,383,851)</u>
Net Pension Trust assets	<u>\$ 4,604,635,525</u>	<u>18,167,133</u>	<u>4,489,640,590</u>	<u>17,301,714</u>

* Includes pending trade sales and purchases as of year-end.

** The Pension Trust terminated its securities lending arrangement with the trustee during the second quarter of 2020. The Pension Trust participated in a securities lending arrangement through the trustee during the year ended December 31, 2019. The Pension Trust obtained cash and noncash collateral from the borrowers of the Plan's securities as a result of this arrangement. The collateral received from borrowers was invested in The Northern Trust Company Core Qualified Collateral Section. The noncash collateral received consisted primarily of fixed income securities and domestic equity securities.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash collateral	\$ —	90,501,670
Noncash collateral	—	14,489,624
Total	\$ <u>—</u>	<u>104,991,294</u>

During the year ended December 31, 2020, investment income for the Pension Trust consisted of the following:

	<u>2020</u>
Net appreciation in fair value of investments	\$ 415,495,315
Interest	97,904,122
Dividends	614,293
Other income	<u>13,155,458</u>
	\$ <u>527,169,188</u>
Pension Trust investment income attributable to the Plan	\$ 2,065,916

As discussed in note 2(h), the Pension Trust uses derivative financial instruments as part of its investment strategy. Refer to note 8 for a description of valuation methodologies. Gains and losses on derivative financial instruments are included in investment income (loss) on a daily basis. As of December 31, 2020 and 2019, the Pension Trust held the following derivatives:

	<u>2020</u>		<u>2019</u>	
	<u>Asset derivatives fair value</u>	<u>Liability derivatives fair value</u>	<u>Asset derivatives fair value</u>	<u>Liability derivatives fair value</u>
Derivatives not accounted for as hedging instruments:				
Interest rate	\$ 1,924,616	(20,892,848)	9,646,371	(15,051,363)
Foreign exchange	452,996	(448,902)	692,648	(554,662)
Credit	1,512,563	(456,791)	1,601,152	(1,049,612)
Equity	<u>—</u>	<u>—</u>	<u>236,853</u>	<u>(2,864)</u>
	\$ <u>3,890,175</u>	<u>(21,798,541)</u>	<u>12,177,024</u>	<u>(16,658,501)</u>

The fair values of the derivatives are located within Unencumbered Investments held by the Pension Trust in other investments in assets and liabilities, cash and cash equivalents, fixed income, and equities. There is no concentration of derivatives in any of the categories. Swap valuations are also represented in the Pension Trust Receivables and Liabilities.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

For the year ended December 31, 2020, the Pension Trust recognized in investment gain (loss) and other income the following:

	<u>2020</u>
	<u>Amount of</u>
	<u>gain (loss)</u>
Derivatives not accounted for as hedging instruments:	
Interest rate	\$ 70,892,989
Foreign exchange	(613,993)
Credit	133,252
Equity	<u>(14,784,271)</u>
	<u>\$ 55,627,977</u>

The gain related to the derivatives is located in the net appreciation in fair value of investments and the other income for the Pension Trust. There is no concentration of derivatives in any of the categories.

The following table summarizes the gross notional value of derivative contracts outstanding as of December 31, 2020. The gross notional amounts give an indication of the volume of the Pension Trust's derivative activity and significantly exceed the fair value of the derivative investments, which is more representative of the economic exposure associated with derivatives in the Pension Trust.

December 31, 2020	<u>Interest</u>		<u>Foreign</u>		<u>Total</u>
	<u>Rate</u>	<u>Credit</u>	<u>Currency</u>	<u>Equity</u>	
Forwards	\$ —	—	53,746,333	—	53,746,333
Futures	1,907,548,171	—	—	—	1,907,548,171
Options	38,989,792	73,158,558	2,397,600	—	114,545,950
Swaps	363,012,410	70,250,087	—	—	433,262,497
	<u>\$ 2,309,550,373</u>	<u>143,408,645</u>	<u>56,143,933</u>	<u>—</u>	<u>2,509,102,951</u>

The Pension Trust has in place legally enforceable master netting arrangements or similar agreements with all counterparties with which it enters into derivative financial instruments. Master netting arrangements or similar agreements permit the closeout and netting of transactions with the same counterparty upon the occurrence of certain events. The Pension Trust has chosen not to offset the fair values of derivative contracts and related cash collateral with the same counterparty under its master netting arrangements or similar agreements. All of the Pension Trust's derivative and cash collateral positions are reflected at the gross values in the statements of net assets available for plan benefits. The table below shows the impact of netting financial instruments and collateral if the Plan had elected to offset the derivatives.

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

Offsetting of Assets and Liabilities – Pension Trust at December 31, 2020:

Asset description	Gross recognized assets	Gross amounts offset	Net amounts presented	Amounts not offset		Net exposure
				Financial instruments	Net collateral received	
OTC Equities	\$ –	–	–	–	–	–
OTC Foreign exchange	452,996	–	452,996	103,982	219,357	129,657
OTC Interest rate/credit	760,848	–	760,848	277,855	129,848	353,145
Total derivatives subject to a Master Netting Agreement (MNA)	1,213,844	–	1,213,844	381,837	349,205	482,802
Exchange cleared interest rate/credit	1,174,989	–	1,174,989	–	–	1,174,989
Exchange traded equities	–	–	–	–	–	–
Exchange traded interest rate/credit	1,501,342	–	1,501,342	–	–	1,501,342
Total derivatives not subject to a MNA	2,676,331	–	2,676,331	–	–	2,676,331
Total derivatives	\$ 3,890,175	–	3,890,175	381,837	349,205	3,159,133
Securities lending pledged	\$ –	–	–	–	–	–
Liability description	Gross recognized liabilities	Gross amounts offset	Net amounts presented	Amounts not offset		Net exposure
				Financial instruments	Net collateral pledged	
OTC Equities	\$ –	–	–	–	–	–
OTC Foreign exchange	448,902	–	448,902	103,982	97,204	247,716
OTC Interest rate/credit	14,159,092	–	14,159,092	277,855	13,874,826	6,411
Total derivatives subject to a MNA	14,607,994	–	14,607,994	381,837	13,972,030	254,127
Exchange cleared interest rate/credit	6,798,626	–	6,798,626	–	6,693,069	105,557
Exchange traded equities	–	–	–	–	–	–
Exchange traded interest rate/credit	391,921	–	391,921	–	367,999	23,922
Total derivatives not subject to a MNA	7,190,547	–	7,190,547	–	7,061,068	129,479
Total derivatives	\$ 21,798,541	–	21,798,541	381,837	21,033,098	383,606

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Notes to Financial Statements

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Offsetting of Assets and Liabilities – Pension Trust at December 31, 2019:

Asset description	Gross recognized assets	Gross amounts offset	Net amounts presented	Amounts not offset		Net exposure
				Financial instruments	Net collateral received	
OTC Equities	\$ 58,378	–	58,378	–	–	58,378
OTC Foreign exchange	692,648	–	692,648	138,133	101,045	453,470
OTC Interest rate/credit	8,974,063	–	8,974,063	366,473	7,872,985	734,605
Total derivatives subject to a Master Netting Agreement (MNA)	9,725,089	–	9,725,089	504,606	7,974,030	1,246,453
Exchange cleared interest rate/credit	1,986,598	–	1,986,598	–	–	1,986,598
Exchange traded equities	178,475	–	178,475	–	–	178,475
Exchange traded interest rate/credit	286,862	–	286,862	–	–	286,862
Total derivatives not subject to a MNA	2,451,935	–	2,451,935	–	–	2,451,935
Total derivatives	\$ 12,177,024	–	12,177,024	504,606	7,974,030	3,698,388
Securities lending pledged	\$ 102,513,511	–	102,513,511	–	102,513,511	–

Liability description	Gross recognized liabilities	Gross amounts offset	Net amounts presented	Amounts not offset		Net exposure
				Financial instruments	Net collateral pledged	
OTC Equities	\$ –	–	–	–	–	–
OTC Foreign exchange	554,662	–	554,662	138,133	170,000	246,529
OTC Interest rate/credit	9,743,561	–	9,743,561	366,473	7,740,000	1,637,088
Total derivatives subject to a MNA	10,298,223	–	10,298,223	504,606	7,910,000	1,883,617
Exchange cleared interest rate/credit	4,431,516	–	4,431,516	–	–	4,431,516
Exchange traded equities	2,864	–	2,864	–	–	2,864
Exchange traded interest rate/credit	1,925,898	–	1,925,898	–	–	1,925,898
Total derivatives not subject to a MNA	6,360,278	–	6,360,278	–	–	6,360,278
Total derivatives	\$ 16,658,501	–	16,658,501	504,606	7,910,000	8,243,895

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(8) Fair Value Measurements

The Plan has adopted the guidance in ASC 820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant judgment. The three levels are defined as follows:

- Level 1: Assets or liabilities that are valued based on unadjusted quoted prices in active markets that are accessible at measurement date.
- Level 2: Assets or liabilities that are valued based on observable inputs, other than those included in Level 1, based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Assets or liabilities that are valued based on unobservable inputs, including the reporting entity's own analysis of the underlying economic data that market participants would factor into the pricing of the asset or liability.

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Assets and liabilities of the Pension Trust measured at fair value on a recurring basis are categorized as follows:

December 31, 2020				
	Level 1	Level 2	Level 3	Total
Nestlé in the USA Pension Trust assets:				
Northern Trust Core Qualified collateral section	\$ -	-	-	-
Equities:				
Preferred stock	4,695,067 (a)	-	-	4,695,067
Common stock	-	-	-	-
Commingled funds	1,106,169,180 (e)	-	-	1,106,169,180
Equity futures	-	-	-	-
Equity options and swaps	-	-	-	-
Rights/Warrants	75 (a)	-	-	75
Total equities	1,110,864,322	-	-	1,110,864,322
Fixed income:				
Mutual funds	2,306,882	-	-	2,306,882
Collateralized obligations	-	3,042,233 (c)	595,031	3,637,264
Corporate bonds	-	1,848,895,599 (b)	-	1,848,895,599
Government and municipal	-	1,074,624,086 (f)	853,432	1,075,477,518
Bank loans	-	14,163,428 (b)	-	14,163,428
Futures	1,375,362	-	-	1,375,362
Options and swaps	-	2,061,817 (g)	-	2,061,817
Total fixed income	3,682,244 (a)	2,942,787,163	1,448,463 (h)	2,947,917,870
Other assets:				
Foreign exchange forwards and options	452,996	-	-	452,996
Other misc. assets	19,588	-	4	19,592
Total other assets	472,584 (a)	-	4 (g)	472,588
Cash and cash equivalents:				
Cash (held at broker)	22,045,166 (a)	-	-	22,045,166
Cash	137,941,850 (a)	-	-	137,941,850
Short term	34,223,846 (d)	-	-	34,223,846
Total cash and cash equivalents	194,210,862	-	-	194,210,862
Total assets by fair value level	1,309,230,012	2,942,787,163	1,448,467	4,253,465,642

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Notes to Financial Statements

December 31, 2020 and 2019

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Payables	\$ (278,159,809)	—	—	(278,159,809)
Collateral held	(1,417,201)	—	—	(1,417,201)
Total current liabilities	(279,577,010) (a)	—	—	(279,577,010)
Equity futures	—	—	—	—
Fixed income futures	(381,734)	—	—	(381,734)
Fixed income options and swaps	(10,188)	(20,955,842)	(1,875)	(20,967,905)
Foreign exchange forwards and options	(440,361)	(8,541)	—	(448,902)
Total other investments	(832,283) (a)	(20,964,383) (g)	(1,875) (h)	(21,798,541)
Payables under securities lending agreement	—	—	—	—
Total liabilities by fair value level	(280,409,293)	(20,964,383)	(1,875)	(301,375,551)
Net pension trust assets by fair value level	\$ 1,028,820,719	2,921,822,780	1,446,592	3,952,090,091
Investments measured at net asset value				652,545,434 (j)
Net pension trust assets			\$	4,604,635,525

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Notes to Financial Statements

December 31, 2020 and 2019

		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Nestlé in the USA Pension Trust assets:					
Northern Trust Core Qualified collateral section	\$	102,513,511 (i)	—	—	102,513,511
Equities:					
Preferred stock		5,260,110 (a)	537,750 (b)	—	5,797,860
Common stock		311,503 (a)	—	—	311,503
Commingled funds		1,026,908,533 (e)	—	—	1,026,908,533
Equity futures		178,475 (a)	—	—	178,475
Equity options and swaps		—	58,378 (g)	—	58,378
Total equities		1,032,658,621	596,128	—	1,033,254,749
Fixed income:					
Mutual funds		8,894,017	—	—	8,894,017
Collateralized obligations		—	3,956,613 (c)	299,467	4,256,080
Corporate bonds		—	1,785,110,566 (b)	—	1,785,110,566
Government and municipal		—	1,051,609,869 (f)	315,793	1,051,925,662
Bank loans		—	10,513,964 (b)	—	10,513,964
Futures		286,862	—	—	286,862
Options and swaps		—	10,960,661 (g)	—	10,960,661
Total fixed income		9,180,879 (a)	2,862,151,673	615,260 (h)	2,871,947,812
Other assets:					
Foreign exchange forwards and options		692,648	—	—	692,648
Other misc. assets		8,480	—	4	8,484
Total other assets		701,128 (a)	— (g)	4 (g)	701,132
Cash and cash equivalents:					
Cash (held at broker)		15,791,325 (a)	—	—	15,791,325
Cash		144,714,067 (a)	—	—	144,714,067
Short term		99,698,581 (d)	2,890,449	—	102,589,030
Total cash and cash equivalents		260,203,973	2,890,449	—	263,094,422
Total assets by fair value level		1,405,258,112	2,865,638,250	615,264	4,271,511,626

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Notes to Financial Statements

December 31, 2020 and 2019

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Payables	\$ (331,557,170)	–	–	(331,557,170)
Collateral held	(10,881,433)	–	–	(10,881,433)
Total current liabilities	(342,438,603) (a)	–	–	(342,438,603)
Equity futures	(2,864)	–	–	(2,864)
Fixed income futures	(1,908,945)	–	–	(1,908,945)
Fixed income options and swaps	(16,953)	(14,175,077)	–	(14,192,030)
Foreign exchange forwards and options	(554,662)	–	–	(554,662)
Total other investments	(2,483,424) (a)	(14,175,077) (g)	–	(16,658,501)
Payables under securities lending agreement	(102,513,511) (i)	–	–	(102,513,511)
Total liabilities by fair value level	(447,435,538)	(14,175,077)	–	(461,610,615)
Net pension trust assets by fair value level	\$ 957,822,574	2,851,463,173	615,264	3,809,901,011
Investments measured at net asset value				679,739,579 (j)
Net pension trust assets				\$ 4,489,640,590

Due to Nestlé USA, Inc.'s policy to diversify the holdings of the Pension Trust portfolio, there is no significant concentration of investments within any particular class of investments included above. The valuation methodologies utilized by the Plan and Pension Trust for the above investments as of December 31, 2020 and 2019, are as follows:

- (a) Based on quoted market prices in active markets.
- (b) Based on investment manager or industry pricing services of investments. Certain fixed income pricing is on a bid-evaluation basis. Institutional bid evaluations are estimated prices. Pricing vendors use models, which are generally proprietary, to arrive at the estimated prices. These prices represent the price a dealer would pay for a security. Model inputs vary depending on the type of security, but typically include trade data, institutional bids, comparable trades, dealer quotes, and news media. Market data is provided by multiple independent sources, including primary and secondary dealers, portfolio managers, and research analysts.
- (c) Collateralized mortgage valuations are based on trade and quote activity of bonds with similar features, including issuer, vintage, prepayment speeds, and purpose of the underlying loan (first or second lien).

NESTLÉ PUERTO RICO PENSION PLAN

Notes to Financial Statements

December 31, 2020 and 2019

- (d) Cash equivalents include short term fixed income instruments whose valuations are determined based upon maturity date, issue date, and credit ratings.
- (e) Commingled funds are valued based on the daily pricing of the underlying assets to estimate the fair value of the fund as determined by the investment manager. The liquidity of these investments is determined by the redemption period and settlement period for each fund. The Pension Trust considered these and other characteristics and concluded these commingled funds have a readily determinable fair value.
- (f) Government and municipal bonds are priced by obtaining feeds from various live data sources, including market makers and interdealer brokers.
- (g) Currency forwards use quoted foreign exchange rates in an active market or exchange. Over-the-counter options are valued using bid, ask/offer quotes that are binding and corroborated. Swaps are valued using the discounted cash flow method. The two legs (fixed and floating) are priced independently as the present value of their expected cash flows.
- (h) Certain fixed income securities (primarily certain collateralized obligations) are valued based upon evaluated prices using unobservable inputs (i.e., extrapolated data, proprietary models, and indicative quotes).
- (i) Fair value is based on the net asset value of the Core Collateral Fund as determined daily, by the trustee, using market prices of underlying investments and evaluations supplied by industry pricing vendors.
- (j) Investments measured at net asset value include alternative fixed income investments, real estate funds, hedge funds, and private equity funds. The net asset values are reported to Nestlé USA, Inc. and the trustee by the fund managers or the general partners of the fund. These net asset values are based on the fair value of the underlying portfolio investments held by the investment fund.

These fair values are determined by a variety of methods: real estate investments are valued at appraised values plus undistributed rental and interest income; hedge funds are valued by the investment manager using quoted market prices of underlying investments and evaluations supplied by industry pricing vendors.

NESTLÉ PUERTO RICO PENSION PLAN

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A summary of the nature and risks of the investments and unfunded commitments that are valued using a net asset value (NAV) for the years ended December 31, 2020 and 2019, is as follows:

	2020		2019		Redemption frequency	Redemption notice period
	Net asset value	Unfunded commitments	Net asset value	Unfunded commitments		
Hedge funds	\$ 265,863,422	–	246,851,168	–	Monthly, quarterly	70 days
Fixed income – redeemable	70,302,031	19,185,362	73,282,477	18,055,656	Annually	90 days
Fixed income – not redeemable	19,268,084	–	34,908,789	–	Not redeemable	N/A
Real estate funds – open end	233,875,304	–	245,100,005	–	Quarterly	45–90 days
Real estate funds – closed end	63,236,593	63,355,512	79,597,140	32,976,491	Not redeemable	N/A
	<u>\$ 652,545,434</u>	<u>82,540,874</u>	<u>679,739,579</u>	<u>51,032,147</u>		

The Pension Trust's investments measured at net asset value are in real estate, hedge funds, and fixed income partnerships for the years ended December 31, 2020 and 2019. These investments are primarily limited partnership investments and the fair value is determined using an audited net asset value (NAV). The fair value of investments is estimated using techniques that may rely heavily on the investment managers' assumptions and qualitative observations. The Pension Trust uses the fair valuations from the investment managers and reviews and validates their valuation methods and processes throughout the year. The Pension Trust establishes and follows valuation policies and procedures. The Pension Trust employs specialized investment consultants who perform due diligence on the valuation policies and procedures of the general partners before making the investments and periodically thereafter. Using their own procedures and systems, they evaluate the reasonableness of the partnerships' NAVs on a monthly and quarterly basis using industry comparisons, operating performance metrics and they conduct frequent reviews with the general partners. The Pension Trust periodically evaluates the fair valuation policies and procedures of these specialized investment consultants and requests and reviews the valuation policies of the investment managers and general partners annually. The Pension Trust retains discretion to sell any of these investments at an amount other than the net asset value, should there be an investment case to sell these investments in the secondary market.

A summary of changes in the fair value of Level 3 assets and liabilities for the year ended December 31, 2020, is as follows:

	Purchases	Issuances	Transfers In	Transfers Out
Fixed income	\$ –	–	1,429,111	(527,575)
	<u>\$ –</u>	<u>–</u>	<u>1,429,111</u>	<u>(527,575)</u>

NESTLÉ PUERTO RICO PENSION PLAN

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December 31, 2020 and 2019

The significance of transfers between levels is evaluated based upon the nature of the financial instrument and size of the transfer relative to the total net assets available for benefits. There were no significant transfers between levels for the year ended December 31, 2020.

(9) Tax Status

The Plan has received a determination letter from the Commonwealth of Puerto Rico's Department of Treasury (Treasury) dated December 6, 2011, stating that the Plan is qualified under Section 1081.01 of the Internal Revenue Code for a New Puerto Rico (the Puerto Rico Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Treasury, the Plan was amended. The Plan received a subsequent Private Letter Ruling dated March 24, 2017, from the Government of Puerto Rico's Treasury Department stating that the submitted amendments would not affect the ruling issued on December 6, 2011. Once qualified, the Plan is required to operate in conformity with the Puerto Rico Code to maintain its qualification. The plan administrator's delegate believes the Plan is being operated in compliance with the applicable requirements of the Puerto Rico Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

The Plan Administrator's delegate evaluates tax positions taken by the Plan. The financial statement effects are recognized when the Plan has taken an uncertain position that more likely than not would be sustained upon examination by the government. The Plan Administrator's delegate has analyzed the tax positions taken by the Plan and has concluded that there are no uncertain tax positions taken or expected to be taken.

The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator's delegate believes the Plan is no longer subject to income tax examinations for years prior to 2017.

(10) Subsequent Events

Effective April 2021, Nestlé Puerto Rico, Inc. went through a restructuring in which the legal entity Nestlé Puerto Rico, Inc. was dissolved effective June 30, 2021, and merged into SWIRL Corp. The Plan Administrator's delegate is evaluating the effect of this restructuring on the Plan.

SCHEDULE SB ATTACHMENTS

Schedule SB, Line 26
Schedule of Active Participant Data as of January 1, 2020

Attained Age	Attained Years of Credited Service									
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over
Under 25										
25-29										
30-34		1	1							
35-39		3	4							
40-44		2	4	1						
45-49		3	9	2	1					
50-54			6		2	2				
55-59	1	2	1		1	1				
60-64		1			1	1				
65-69										
70 & over										
Average Age: 47.9					Average Service: 8.30					

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Plan Sponsor: Nestlé Puerto Rico Inc.
Valuation Date: January 1, 2020

SCHEDULE SB ATTACHMENTS

Schedule SB, Part V Statement of Actuarial Assumptions/Methods

Economic Assumptions

Interest rate basis:

■ Applicable month	September
■ Yield curve basis	Segment rates
■ HATFA applied for funding and benefit restrictions	Yes
■ ASC 960 discount rate	2.90%

Interest rates:

For Minimum

■ First segment rate	3.64%
■ Second segment rate	5.21%
■ Third segment rate	5.94%

Effective Interest Rate

5.26%

Lump sum rates

3.64%/5.21%/5.94%

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SCHEDULE SB ATTACHMENTS

Demographic Assumptions

Inclusion date The valuation date coincident with or next following the date on which the employee becomes a participant.

Mortality (Funding Valuation)

- **Healthy** Separate rates for non-annuitants (based on RP-2014 “Employees” table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2018) and annuitants (based on RP-2014 “Healthy Annuitants” table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2018).
- **Disabled** Separate rates for non-annuitants (based on RP-2014 “Employees” table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2018) and annuitants (based on RP-2014 “Healthy Annuitants” table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2018).
- **Lump sum conversion** IRC 417(e) table

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SCHEDULE SB ATTACHMENTS

■ Termination

Rates vary by age and service

Representative Termination Rates

Percentage leaving during the year				
Participant Group	PEP	Traditional – not PCAP	Traditional - PCAP	
Years of Service Attained Age	All	All	< 3	> 3
25	13.9%	5.9%	12.4%	10.3%
30	12.3%	5.9%	12.2%	10.0%
35	10.6%	5.9%	11.3%	9.3%
40	10.6%	5.9%	11.3%	4.8%
45	9.9%	5.8%	10.1%	4.6%
50	9.9%	5.8%	10.1%	4.0%
55	0.0%	5.8%	0.0%	0.0%

■ Disability

Rates varying by age, sex, and plan.

Representative Disability Rates

Percentage becoming disabled during the year								
Participant Group	NUSA Traditional Salary		NUSA Traditional Hourly		NUSA PEP Salary		NPPC PEP Salary	
Age	Males	Females	Males	Females	Males	Females	Males	Females
30	0.06%	0.05%	0.09%	0.49%	0.07%	0.09%	0.05%	0.07%
40	0.07%	0.06%	0.28%	0.56%	0.08%	0.12%	0.06%	0.09%
50	0.18%	0.16%	0.61%	1.02%	0.20%	0.28%	0.15%	0.22%

■ Retirement

Rates varying by age.

Percentage leaving during the year							
Participant Group	PEP	Traditional – not PCAP	Traditional - PCAP	Participant Group	PEP	Traditional – not PCAP	Traditional - PCAP
Attained Age				Attained Age			
55	10.0%	10.0%	7.5%	63	25.0%	30.0%	25.0%
56	10.0%	10.0%	7.5%	64	25.0%	30.0%	30.0%
57	10.0%	10.0%	7.5%	65	35.0%	40.0%	30.0%
58	10.0%	10.0%	10.0%	66	35.0%	40.0%	30.0%
59	10.0%	10.0%	10.0%	67	35.0%	40.0%	40.0%
60	15.0%	20.0%	10.0%	68	35.0%	40.0%	40.0%
61	15.0%	20.0%	15.0%	69	35.0%	40.0%	40.0%
62	25.0%	30.0%	25.0%	70	100.0%	100.0%	100.0%

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Benefit commencement date:

- Preretirement death benefit The later of the death of the active participant or the date the participant would have attained age 65
- Deferred vested benefit The deferred vested participants who terminated within 2 years of the valuation are assumed to take a lump sum payment immediately based on the following schedule:

PEP – 50%

Traditional (Non-PCAP) – 50%

Traditional (PCAP) – 25%

The remaining deferred vested participants will commence their benefit at the following ages:

PEP – Age 62

Traditional (Non-PCAP) – Age 63

Traditional (PCAP) – Age 62

- Disability benefit Age 65
- Retirement benefit Upon termination of employment

Form of payment All participants

Participant Group	Termination Benefits				Retirement Benefits			
	Life	Cert & Life	J&S	Lump Sum	Life	Cert & Life	J&S	Lump Sum
PEP	2.5%	0%	2.5%	95%	5%	0%	10%	85%
Traditional – not PCAP	7.5%	0%	7.5%	85%	10%	0%	15%	75%
Traditional - PCAP	5%	0%	5%	90%	5%	5%	20%	70%

Percent married 80%

Spouse age Wife three years younger than husband

Administrative expenses None payable from the trust

At-risk assumptions For at-risk calculations, all participants eligible to elect benefits during the current and subsequent ten plan years are assumed to commence benefits at the earliest possible date under the plan, but not before the end of the current plan year. In addition, these participants (not just those eligible to begin benefits within the next 11 years) are assumed to elect the most valuable form of benefit under the plan.

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Methods

Valuation date	First day of plan year
Funding target	Present value of accrued benefits
Target normal cost	Present value of benefits expected to accrue during plan year plus plan-related expenses expected to be paid from plan assets during the year
Decrement timing	The approach used is called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.
Actuarial value of assets	Market value of assets, including contributions receivable
Funding policy	Nestlé USA's general funding policy is to make contributions for each plan year in an amount not less than the minimum required contribution under ERISA and to target 100% funded status on a Pension Protection Act (PPA) basis. This will not exceed the maximum tax-deductible contribution. Nestlé may vary its contribution level, if appropriate to its tax and cash position and the funded status.
Benefits not valued	All benefits described in the Plan Provisions section of this report were valued. Willis Towers Watson has reviewed the plan provisions with Nestlé and is not aware of any significant benefits required to be valued that were not. Small benefits with present values up to \$5,000 may be paid in a single lump sum payment. Such lump sums are not explicitly valued as such; rather, such participants' benefits are valued using the benefit choice assumptions described above.

Sources of Data and Other Information

The plan sponsor through its administrator, Willis Towers Watson, furnished participant data as of January 1, 2020. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Plan Name:	Nestlé Puerto Rico Pension Plan
EIN / PN:	66-0773236/116
Plan Sponsor:	Nestlé Puerto Rico Inc.
Valuation Date	January 1, 2020

SCHEDULE SB ATTACHMENTS

Assumptions Rationale – Significant Economic Assumptions

Discount rate (Funding valuation)	The basis chosen was selected by the plan sponsor from among choices prescribed by law, all of which are based on observed market data over certain periods of time.
--	--

Assumptions Rationale – Significant Demographic Assumptions

Mortality	Assumptions used for funding purposes are as prescribed by IRC §430(h).
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Retirement	Retirement rates were based on an experience study conducted in 2020 for the period 2016-2019, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
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Termination	Termination rates were based on an experience study conducted in 2020 for the period 2016-2019, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
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Assumed termination rates differ by age, service and plan because of observed differences in termination rates by service and plan.

Disability	Disability rates are reviewed with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
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Assumed disability rates differ by gender and plan because of observed differences in disability rates by gender and plan.

Benefit commencement date for deferred benefits:

- | | |
|--------------------------------|---|
| ■ Pre-retirement death benefit | Surviving spouses are assumed to begin benefits at the earliest permitted commencement date because ERISA requires benefits to start then unless the spouse elects to defer. If the spouse elects to defer, actuarial increases from the earliest commencement date must be given, so that a later commencement date is expected to be of approximately equal value, and experience indicates that most spouses do take the benefit as soon as it is available. |
| ■ Deferred vested benefit | Commencement ages were based on an experience study conducted in 2020 for the period 2016-2019. Deferred vested early commencement factors are generally not subsidized so that the difference between this approach and using assumed commencement rates at different ages is not expected to be significant. |

Plan Name:	Nestlé Puerto Rico Pension Plan
EIN / PN:	66-0773236/116
Plan Sponsor:	Nestlé Puerto Rico Inc.
Valuation Date	January 1, 2020

SCHEDULE SB ATTACHMENTS

Form of payment The optional form of payment assumptions are based on an experience study performed in 2020 for the period 2016-2019.

Prescribed Methods

Funding methods The methods used for funding purposes as described in Appendix A, including the method of determining plan assets, are “prescribed methods set by law”, as defined in the actuarial standards of practice (ASOPs). These methods are required by IRC §430, or were selected by the plan sponsor from a range of methods permitted by IRC §430.

Changes in Assumptions and Methods

Change in assumptions since prior valuation The segment interest rates used to calculate the funding target was updated to the current valuation date as required by IRC §430.

The mortality table used to calculate the funding target and target normal cost was updated to include one additional year of projected mortality improvement, as required by IRC §430.

The healthy and disabled mortality assumption have been updated from RP-2014 base mortality tables adjusted backward to 2006 with MP-2014 along with the MP-2016 projection scale modified to use 10 year convergence period for both attained age and year of birth cohort to the Pri-2012 base mortality tables, including separate assumptions for contingent survivors following the death of the participant, along with the MP-2019 projection scale modified to use 10 year convergence period for both attained age and year of birth cohort.

The assumption that active participants will retire at age 65 was updated to use the active decrements from the 2020 experience study.

The retirement rates, withdrawal rates and form of payment assumptions were updated to reflect the 2020 experience study.

The benefit commencement date for terminated vesteds was updated to reflect the following:

- The deferred vested participants who terminated within 2 years of the valuation are assumed to take a lump sum payment immediately based on the following schedule:
 - PEP – 50%
 - Traditional (Non-PCAP) – 50%
 - Traditional (PCAP) – 25%
- The remaining deferred vested participants will commence their benefit at the following ages:
 - PEP – Age 62
 - Traditional (Non-PCAP) – Age 63
 - Traditional (PCAP) – Age 62

Plan Name: Nestlé Puerto Rico Pension Plan
EIN / PN: 66-0773236/116
Plan Sponsor: Nestlé Puerto Rico Inc.
Valuation Date: January 1, 2020

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue Service
Department of Labor
Employee Benefits Security Administration
Pension Benefit Guaranty Corporation**Single-Employer Defined Benefit Plan
Actuarial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500 or 5500-SF.**

OMB No. 1210-0110

2020**This Form is Open to Public
Inspection**For calendar plan year 2020 or fiscal plan year beginning 01/01/2020 and ending 12/31/2020▶ **Round off amounts to nearest dollar.**▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan NESTLE PUERTO RICO PENSION PLAN		B Three-digit plan number (PN) ▶	116
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF NESTLE PUERTO RICO, INC.		D Employer Identification Number (EIN) 66-0773236	
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B		F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500	

Part I Basic Information

1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2020</u>			
2 Assets:			
a Market value		2a	17,301,714
b Actuarial value		2b	17,301,714
3 Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
a For retired participants and beneficiaries receiving payment	138	6,592,995	6,592,995
b For terminated vested participants	111	3,121,151	3,121,151
c For active participants	50	1,604,287	1,653,664
d Total	299	11,318,433	11,367,810
4 If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐			
a Funding target disregarding prescribed at-risk assumptions		4a	
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor		4b	
5 Effective interest rate	5	5.26%	
6 Target normal cost	6	0	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	Michael Altilio 	<u>10/11/2021</u>
Signature of actuary		Date
Michael Altilio		2007062
Type or print name of actuary		Most recent enrollment number
Willis Towers Watson US LLC		973-290-2500
Firm name		Telephone number (including area code)
8 Campus Drive		
4th Floor		
Parsippany NJ 07054		
Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice, see the Instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2020
v. 200204

Part II	Beginning of Year Carryover and Prefunding Balances
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Beginning of Year Carryover and Prefunding Balances		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	139,925	0
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9	Amount remaining (line 7 minus line 8)	139,925	0
10	Interest on line 9 using prior year's actual return of <u>21.07%</u>	29,482	0
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38a from prior year)		0
b(1)	Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>5.48%</u>		0
b(2)	Interest on line 38b from prior year Schedule SB, using prior year's actual return		0
c	Total available at beginning of current plan year to add to prefunding balance		0
d	Portion of (c) to be added to prefunding balance		0
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	169,407	0

Part III | Funding Percentages

14	Funding target attainment percentage.....	14	150.70%
15	Adjusted funding target attainment percentage.....	15	152.19%
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	134.00%
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV Contributions and Liquidity Shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:

Contributions made to the plan for the plan year by employer(s) and employee(s)					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
			Totals ▶	18(b)	0 18(c)
					0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contributions from prior years.....	19a	0
b Contributions made to avoid restrictions adjusted to valuation date.....	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c	0

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? Yes ☐ No ☒

b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☐ Yes ☐ No

c If line 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:			
a Segment rates:	1st segment: 3.64 %	2nd segment: 5.21 %	3rd segment: 5.94 %
			☐ N/A, full yield curve used
b Applicable month (enter code).....			21b 4
22 Weighted average retirement age			22 61
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute			

Part VI Miscellaneous Items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment		☒ Yes ☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment		☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment		☒ Yes ☐ No
27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment	27	

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	0	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:		Outstanding Balance	Installment
a Net shortfall amortization installment		0	0
b Waiver amortization installment		0	0
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount		33	
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)		34	0
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	0	0	0
36 Additional cash requirement (line 34 minus line 35)	36	0	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)		38a	0
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances		38b	0
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)		39	0
40 Unpaid minimum required contributions for all years		40	0

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:	
a Schedule elected	☐ 2 plus 7 years ☐ 15 years
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011

SCHEDULE SB ATTACHMENTS

Schedule SB – Statement by Enrolled Actuary

Plan Sponsor	Nestlé Puerto Rico Inc.
EIN/PN	66-0773236/116
Plan Name	Nestlé Puerto Rico Pension Plan
Valuation Date	January 1, 2020
Enrolled Actuary	Michael Altilio
Enrollment Number	20-07062

The actuarial assumptions that are not mandated by IRC § 430 and regulations, represent the enrolled actuary's best estimate of anticipated experience under the plan, subject to the following conditions:

The actuarial valuation, on which the information in this Schedule SB is based, has been prepared in reliance upon the employee and financial data furnished by the plan administrator and the trustee. The enrolled actuary has not made a rigorous check of the accuracy of this information but has accepted it after reviewing it and concluding it is reasonable in relation to similar information furnished in previous years. The amounts of contributions and dates paid shown in Item 18 of Schedule SB were listed in reliance on information provided by the plan administrator and/or trustee.

SCHEDULE SB ATTACHMENTS

Schedule SB, Line 22 Description of Weighted Average Retirement Age as of January 1, 2020

Age	Retirement Rate	1.00 - Retirement Rate	Probability of Remaining Active	Percentage Retiring at Age	Age Times Percentage Retiring
54	0.00%	100.00%	100.00%	0.00%	0.00
55	10.00%	90.00%	90.00%	10.00%	5.50
56	10.00%	90.00%	81.00%	9.00%	5.04
57	10.00%	90.00%	72.90%	8.10%	4.62
58	10.00%	90.00%	65.61%	7.29%	4.23
59	10.00%	90.00%	59.05%	6.56%	3.87
60	15.00%	85.00%	50.19%	8.86%	5.31
61	15.00%	85.00%	42.66%	7.53%	4.59
62	25.00%	75.00%	32.00%	10.67%	6.61
63	25.00%	75.00%	24.00%	8.00%	5.04
64	25.00%	75.00%	18.00%	6.00%	3.84
65	35.00%	65.00%	11.70%	6.30%	4.09
66	35.00%	65.00%	7.60%	4.09%	2.70
67	35.00%	65.00%	4.94%	2.66%	1.78
68	35.00%	65.00%	3.21%	1.73%	1.18
69	35.00%	65.00%	2.09%	1.12%	0.78
70	100.00%	0.00%	0.00%	2.09%	1.46
				100.00%	

Average Retirement Age: 61

Plan Name: Nestlé Puerto Rico Pension Plan
 EIN / PN: 66-0773236/116
 Plan Sponsor: Nestlé Puerto Rico Inc.
 Valuation Date: January 1, 2020

SCHEDULE SB ATTACHMENTS

Schedule SB, Part V Statement of Actuarial Assumptions/Methods

Economic Assumptions

Interest rate basis:

■ Applicable month	September
■ Yield curve basis	Segment rates
■ HATFA applied for funding and benefit restrictions	Yes
■ ASC 960 discount rate	2.90%

Interest rates:

For Minimum

■ First segment rate	3.64%
■ Second segment rate	5.21%
■ Third segment rate	5.94%

Effective Interest Rate

5.26%

Lump sum rates

3.64%/5.21%/5.94%

Plan Name:	Nestlé Puerto Rico Pension Plan
EIN / PN:	66-0773236/116
Plan Sponsor:	Nestlé Puerto Rico Inc.
Valuation Date	January 1, 2020

SCHEDULE SB ATTACHMENTS

Demographic Assumptions

Inclusion date The valuation date coincident with or next following the date on which the employee becomes a participant.

Mortality (Funding Valuation)

- **Healthy** Separate rates for non-annuitants (based on RP-2014 “Employees” table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2018) and annuitants (based on RP-2014 “Healthy Annuitants” table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2018).
- **Disabled** Separate rates for non-annuitants (based on RP-2014 “Employees” table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2018) and annuitants (based on RP-2014 “Healthy Annuitants” table without collar or amount adjustments, adjusted backward to 2006 with MP-2014, and then projected forward with a static projection as specified in the regulations under §1.430(h)(3)-1 using Scale MP-2018).
- **Lump sum conversion** IRC 417(e) table

Plan Name: Nestlé Puerto Rico Pension Plan
EIN / PN: 66-0773236/116
Plan Sponsor: Nestlé Puerto Rico Inc.
Valuation Date: January 1, 2020

SCHEDULE SB ATTACHMENTS

■ Termination

Rates vary by age and service

Representative Termination Rates

Percentage leaving during the year				
Participant Group	PEP	Traditional – not PCAP	Traditional - PCAP	
Years of Service Attained Age	All	All	< 3	> 3
25	13.9%	5.9%	12.4%	10.3%
30	12.3%	5.9%	12.2%	10.0%
35	10.6%	5.9%	11.3%	9.3%
40	10.6%	5.9%	11.3%	4.8%
45	9.9%	5.8%	10.1%	4.6%
50	9.9%	5.8%	10.1%	4.0%
55	0.0%	5.8%	0.0%	0.0%

■ Disability

Rates varying by age, sex, and plan.

Representative Disability Rates

Percentage becoming disabled during the year								
Participant Group	NUSA Traditional Salary		NUSA Traditional Hourly		NUSA PEP Salary		NPPC PEP Salary	
Age	Males	Females	Males	Females	Males	Females	Males	Females
30	0.06%	0.05%	0.09%	0.49%	0.07%	0.09%	0.05%	0.07%
40	0.07%	0.06%	0.28%	0.56%	0.08%	0.12%	0.06%	0.09%
50	0.18%	0.16%	0.61%	1.02%	0.20%	0.28%	0.15%	0.22%

■ Retirement

Rates varying by age.

Percentage leaving during the year							
Participant Group	PEP	Traditional – not PCAP	Traditional - PCAP	Participant Group	PEP	Traditional – not PCAP	Traditional - PCAP
Attained Age				Attained Age			
55	10.0%	10.0%	7.5%	63	25.0%	30.0%	25.0%
56	10.0%	10.0%	7.5%	64	25.0%	30.0%	30.0%
57	10.0%	10.0%	7.5%	65	35.0%	40.0%	30.0%
58	10.0%	10.0%	10.0%	66	35.0%	40.0%	30.0%
59	10.0%	10.0%	10.0%	67	35.0%	40.0%	40.0%
60	15.0%	20.0%	10.0%	68	35.0%	40.0%	40.0%
61	15.0%	20.0%	15.0%	69	35.0%	40.0%	40.0%
62	25.0%	30.0%	25.0%	70	100.0%	100.0%	100.0%

Plan Name: Nestlé Puerto Rico Pension Plan
 EIN / PN: 66-0773236/116
 Plan Sponsor: Nestlé Puerto Rico Inc.
 Valuation Date: January 1, 2020

SCHEDULE SB ATTACHMENTS

Benefit commencement date:

- Preretirement death benefit The later of the death of the active participant or the date the participant would have attained age 65
- Deferred vested benefit The deferred vested participants who terminated within 2 years of the valuation are assumed to take a lump sum payment immediately based on the following schedule:

PEP – 50%

Traditional (Non-PCAP) – 50%

Traditional (PCAP) – 25%

The remaining deferred vested participants will commence their benefit at the following ages:

PEP – Age 62

Traditional (Non-PCAP) – Age 63

Traditional (PCAP) – Age 62

- Disability benefit Age 65
- Retirement benefit Upon termination of employment

Form of payment

All participants

Participant Group	Termination Benefits				Retirement Benefits			
	Life	Cert & Life	J&S	Lump Sum	Life	Cert & Life	J&S	Lump Sum
PEP	2.5%	0%	2.5%	95%	5%	0%	10%	85%
Traditional – not PCAP	7.5%	0%	7.5%	85%	10%	0%	15%	75%
Traditional - PCAP	5%	0%	5%	90%	5%	5%	20%	70%

Percent married

80%

Spouse age

Wife three years younger than husband

Administrative expenses

None payable from the trust

At-risk assumptions

For at-risk calculations, all participants eligible to elect benefits during the current and subsequent ten plan years are assumed to commence benefits at the earliest possible date under the plan, but not before the end of the current plan year. In addition, these participants (not just those eligible to begin benefits within the next 11 years) are assumed to elect the most valuable form of benefit under the plan.

Plan Name: Nestlé Puerto Rico Pension Plan
EIN / PN: 66-0773236/116
Plan Sponsor: Nestlé Puerto Rico Inc.
Valuation Date: January 1, 2020

SCHEDULE SB ATTACHMENTS

Methods

Valuation date	First day of plan year
Funding target	Present value of accrued benefits
Target normal cost	Present value of benefits expected to accrue during plan year plus plan-related expenses expected to be paid from plan assets during the year
Decrement timing	The approach used is called rounded middle of year (rounded MOY) decrement timing. Most events are assumed to occur at the middle of year during which the eligibility condition will be met or the start/end date will occur. For death and disability decrements, the rate applied is based on the participant's rounded age (nearest integer age) at the beginning of the year, to align with the methodology generally used to create those rate tables. For retirement and withdrawal decrements: the age is generally the participant's rounded age at the middle of the year.
Actuarial value of assets	Market value of assets, including contributions receivable
Funding policy	Nestlé USA's general funding policy is to make contributions for each plan year in an amount not less than the minimum required contribution under ERISA and to target 100% funded status on a Pension Protection Act (PPA) basis. This will not exceed the maximum tax-deductible contribution. Nestlé may vary its contribution level, if appropriate to its tax and cash position and the funded status.
Benefits not valued	All benefits described in the Plan Provisions section of this report were valued. Willis Towers Watson has reviewed the plan provisions with Nestlé and is not aware of any significant benefits required to be valued that were not. Small benefits with present values up to \$5,000 may be paid in a single lump sum payment. Such lump sums are not explicitly valued as such; rather, such participants' benefits are valued using the benefit choice assumptions described above.

Sources of Data and Other Information

The plan sponsor through its administrator, Willis Towers Watson, furnished participant data as of January 1, 2020. Information on assets, contributions and plan provisions was supplied by the plan sponsor. Data and other information were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date.

We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Plan Name:	Nestlé Puerto Rico Pension Plan
EIN / PN:	66-0773236/116
Plan Sponsor:	Nestlé Puerto Rico Inc.
Valuation Date	January 1, 2020

SCHEDULE SB ATTACHMENTS

Assumptions Rationale – Significant Economic Assumptions

Discount rate (Funding valuation)	The basis chosen was selected by the plan sponsor from among choices prescribed by law, all of which are based on observed market data over certain periods of time.
--	--

Assumptions Rationale – Significant Demographic Assumptions

Mortality	Assumptions used for funding purposes are as prescribed by IRC §430(h).
Retirement	Retirement rates were based on an experience study conducted in 2020 for the period 2016-2019, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.
Termination	Termination rates were based on an experience study conducted in 2020 for the period 2016-2019, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. Assumed termination rates differ by age, service and plan because of observed differences in termination rates by service and plan.
Disability	Disability rates are reviewed with annual consideration of whether any conditions have changed that would be expected to produce different results in the future. Assumed disability rates differ by gender and plan because of observed differences in disability rates by gender and plan.
Benefit commencement date for deferred benefits:	
■ Pre-retirement death benefit	Surviving spouses are assumed to begin benefits at the earliest permitted commencement date because ERISA requires benefits to start then unless the spouse elects to defer. If the spouse elects to defer, actuarial increases from the earliest commencement date must be given, so that a later commencement date is expected to be of approximately equal value, and experience indicates that most spouses do take the benefit as soon as it is available.
■ Deferred vested benefit	Commencement ages were based on an experience study conducted in 2020 for the period 2016-2019. Deferred vested early commencement factors are generally not subsidized so that the difference between this approach and using assumed commencement rates at different ages is not expected to be significant.

Plan Name:	Nestlé Puerto Rico Pension Plan
EIN / PN:	66-0773236/116
Plan Sponsor:	Nestlé Puerto Rico Inc.
Valuation Date	January 1, 2020

SCHEDULE SB ATTACHMENTS

Form of payment The optional form of payment assumptions are based on an experience study performed in 2020 for the period 2016-2019.

Prescribed Methods

Funding methods The methods used for funding purposes as described in Appendix A, including the method of determining plan assets, are “prescribed methods set by law”, as defined in the actuarial standards of practice (ASOPs). These methods are required by IRC §430, or were selected by the plan sponsor from a range of methods permitted by IRC §430.

Changes in Assumptions and Methods

Change in assumptions since prior valuation The segment interest rates used to calculate the funding target was updated to the current valuation date as required by IRC §430.

The mortality table used to calculate the funding target and target normal cost was updated to include one additional year of projected mortality improvement, as required by IRC §430.

The healthy and disabled mortality assumption have been updated from RP-2014 base mortality tables adjusted backward to 2006 with MP-2014 along with the MP-2016 projection scale modified to use 10 year convergence period for both attained age and year of birth cohort to the Pri-2012 base mortality tables, including separate assumptions for contingent survivors following the death of the participant, along with the MP-2019 projection scale modified to use 10 year convergence period for both attained age and year of birth cohort.

The assumption that active participants will retire at age 65 was updated to use the active decrements from the 2020 experience study.

The retirement rates, withdrawal rates and form of payment assumptions were updated to reflect the 2020 experience study.

The benefit commencement date for terminated vesteds was updated to reflect the following:

- The deferred vested participants who terminated within 2 years of the valuation are assumed to take a lump sum payment immediately based on the following schedule:
 - PEP – 50%
 - Traditional (Non-PCAP) – 50%
 - Traditional (PCAP) – 25%
- The remaining deferred vested participants will commence their benefit at the following ages:
 - PEP – Age 62
 - Traditional (Non-PCAP) – Age 63
 - Traditional (PCAP) – Age 62

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Schedule SB, Line 24 Change in Actuarial Assumptions

- The assumption that active participants will retire at age 65 was updated to use the active decrements from the 2020 experience study.
- The retirement rates, withdrawal rates, form of payment and benefit commencement dates for terminated vested participants assumptions were updated to reflect the 2020 experience study.

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Plan Sponsor:	Nestlé Puerto Rico Inc.
Valuation Date	January 1, 2020

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Schedule SB, Part V Summary of Plan Provisions

Nestlé Puerto Rico (Nestlé Puerto Rico employees and NPPC salaried Puerto Rico employees hired after 2002)

Plan Provisions

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Salaried Puerto Rico employees and certain nonunion hourly Puerto Rico employees of Nestlé USA, and salaried Puerto Rico employees of Nestlé Purina PetCare hired after 2002
Participation date	January 1, following date of hire. Closed as of December 31, 2013
Type of plan	Three-year average earnings or pension equity.
Plan freeze	Plan was frozen to new participants as of December 31, 2013. Benefit service and eligible compensation frozen as of December 31, 2013.

Definitions

Vesting service	From date of hire; for HandHeld Foods Group, from 9/12/2002
Credited service	From date of hire; for Beech-Nut, frozen as of 11/3/89; for Franklin Park, Bakersfield Hourly and Carnation, from 1/1/92; for Sunmark, from 6/1/88; for Alpo, from 12/31/94; for Stoughton, from 9/28/95; for HandHeld Foods Group, from 9/12/2002; for Joseph's Pasta, from 12/1/2006; for Nutrition, from 1/1/2010; for Pizza, from 3/1/2010; for Dreyer's, from 1/1/2011.
Pensionable earnings	Total compensation, including bonuses and overtime
Covered compensation	Average of Social Security wage bases over the 35 years prior to the year of termination
Average annual compensation	For pension equity highest of five consecutive calendar years out of the last ten years, divided by five. For three year average, highest three consecutive calendar years out of the last ten years, divided by three.
Accumulated benefit	Covered employees have the pension equity formula, unless they chose to retain the final average earnings formula as of 5/1/2003. Frozen minimum FAE benefit as of 5/1/2003 applies to pension equity participants. Pension equity: Lump sum equal to the sum of basic percentages, as shown below, for each year of credited service x FAE + 3.5% of FAE in excess of covered compensation x credited service.

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Age + Points Service	Basic %
<40	4.0%
40 – 49	5.0%
50 – 59	6.0%
60 – 69	8.0%
70 – 79	10.0%
80 – 89	12.0%
> 89	15.0%

Final average earnings (FAE): .9% of FAE x credited service limited to 35 years + .5% of FAE in excess of covered compensation x credited service limited to 35 years; for employees who were participants on 1/1/89, an additional .3% of FAE x credited service on 1/1/89 limited to 35 years; for former Carnation employees, add the final average pay accrued benefit as of 12/31/91 x the ratio of FAE at termination to FAE on 12/31/91

Eligibility for Benefits

Normal retirement	Retirement on or after attaining age 65
Early retirement	Retirement before NRD and on or after both attaining age 55 and completing ten years of vesting service
Postponed retirement	Retirement after attaining age 65
Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability after completing three years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service.

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately.
Early retirement	FAE accrued benefit reduced 3.0% for each year prior to age 62; pension equity benefit payable immediately
Postponed retirement	Accrued benefit payable immediately.
Vested termination	FAE accrued benefit payable unreduced at age 65, or reduced 6.0% for each year prior to age 65; pension equity benefit payable immediately.
Disablement	Accrued benefit payable at actual retirement, with service credited during disability, and based upon pensionable earnings at date of disability.
Preretirement death	If married, reduced 100% joint & survivor early retirement FAE benefit if attained age 55 or 100% joint and survivor early retirement FAE benefit for all others reduced to be payable at age at death. The pension equity benefit is payable immediately to any beneficiary.

Plan Name: Nestlé Puerto Rico Pension Plan
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 Plan Sponsor: Nestlé Puerto Rico Inc.
 Valuation Date: January 1, 2020

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Other Plan Provisions

Forms of payment

Normal form	Life annuity for single participants; 100% joint and survivor for married participants
Optional forms	50% or 100% joint and survivor annuity; 10 year certain and life; lump sum
Pension increases	None
Plan participants' contributions	None
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Forms of Payment

Participant Group	Actuarial Equivalence	Optional Forms
Nestlé Traditional benefit	■ 8.00%	1) Single Life Annuity
<u>Eligible for early retirement factors</u>	■ 1971 TPF&C Forecast set back 3 years	2) 50%, 75%* & 100% Joint Survivor Annuity
No grandfathered prior plan benefits, OR with the following prior plans (but only if Nestlé benefit wins):		3) 10 year Certain and Life Annuity
Beechnut		4) Lump Sum
Hills Bros.		5) 5 year Certain and Life Annuity for Hills Bros. only
NFC post-1988 terminations		
Carnation #2 post-1991 terminations		
Clintec		

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Nestlé Traditional benefit

Deferred vested commencements
with deferred vested factors

No grandfathered prior plan benefits,
OR with the following prior plans (but
only if Nestlé benefit wins):

Beechnut

Hills Bros.

NFC post-1988 terminations

Carnation #2 post-1991 terminations

OR post-55 commencement of
excess/ residual piece for the
following prior plans:

Clintec

Hills Bros.

■ 8.00%

■ 1971 TPF&C
Forecast set
back 3 years

1) Single Life Annuity

2) 50%, 75%* & 100% Joint Survivor
Annuity

3) 10 year Certain and Life Annuity

4) Lump Sum

* The 75% Joint Survivor Annuity is only available to participants who terminated prior to May 1, 2003.

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Optional Forms of Payment (cont.)

Participant Group	Actuarial Equivalence	Optional Forms
Carnation Plan #2	Formula-based	1) Single Life Annuity 2) 50%, 75% & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity (post-1991 only) 4) Lump Sum (post-1991 only)
a) Terminations before 12/31/1985 b) Pre-1992 terminations after 12/30/1985 c) Post-1991 terminations & Carnation wins		
Nestlé Traditional benefit / Clintec** & Clintec benefit wins	7.00% 1983 GAM	1) Single Life Annuity 2) 50%, 75%* & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity 4) Lump Sum if < \$10,000
a) Lump sum available b) No lump sum available		
Nestlé Traditional benefit / prior plans <u>Deferred vested commencements</u>	- Beech-Nut factors (for b1) 8.00%, 1971 TPF&C Forecast set back 3 years (except Hills factors for 5 year Certain and Life Annuity) (for h) 8.00%, 1971 TPF&C Forecast set back 3 years (for n)	1) Single Life Annuity 2) 50%, 75%* & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity 4) 5 year Certain and Life Annuity for Hills Bros. only 5) Lump Sum (except b, n2, & n4)
- Beechnut prior plan wins - Hills Bros. pre-55 commencement of "Hills portion" only - Hills Bros. post-55 commencement & prior plan wins - NFC post-1988 terminations pre-55 commencements of "NFC portion" only - NFC post-1988 terminations, post-55 commencements of NUSA excess/residual piece - NFC post-11/30/1989 terminations, post-55 commencements of entire benefit & prior plan wins - NFC terminations between 1/1/1989 & 11/30/1989, post-55 commencements of entire benefit		

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Optional Forms of Payment (cont.)

Participant Group	Actuarial Equivalence	Optional Forms
Prior NFC participants who terminated before 1/1/1989 (married participants only)	6.00% 1979 Buck (80% male set back 1 year, 20% female set back 3 years)	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity
Nestlé Account Benefit No grandfathered prior plan benefits (i.e., participants hired on or after January 1, 2003) OR with grandfathered Nestlé Traditional Benefit or prior plans and Account Benefit wins for all forms	Applicable segment rates and Applicable Mortality	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity 3) Lump Sum
Nestlé Account Benefit With grandfathered Nestlé Traditional Benefit OR other grandfathered prior plan benefits	- Applicable segment rates and Applicable Mortality (for a) 8.00%, 1971 TPF&C Forecast set back 3 years (for b & c)	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity 4) Lump Sum 5) 75% Joint Survivor Annuity (b and c only)
- Winning for at least one (but not all) optional forms - NUSA winning for all optional forms eligible for early retirement factors - NUSA winning for all optional forms deferred vested commencements with deferred vested factors		

Future Plan Changes

No future plan changes were recognized in determining pension cost, plan accounting liabilities, or minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

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 Valuation Date: January 1, 2020

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Nestlé Puerto Rico (NPPC salaried Puerto Rico employees hired prior to 2003 and NPPC hourly Puerto Rico employees)

Plan Provisions

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Salaried Puerto Rico employees hired prior to 2003 and hourly Puerto Rico employees of Nestlé Purina PetCare
Participation date	January 1 following date of hire. Closed to new entrants as of December 31, 2013.
Type of plan	Five-year average earnings or pension equity for salaried employees; career average earnings for hourly employees
Plan freeze	Plan was frozen to new participants as of December 31, 2013. Benefit service and eligible compensation frozen as of December 31, 2013.

Definitions

Vesting service	From date of hire
Credited service	From date of hire
Pensionable earnings	Total compensation, including bonuses and overtime
Covered compensation	Average of Social Security wage bases over the 35 years prior to the year of termination.
Accumulated benefit	Salaried employees have the pension equity formula, unless they chose the final average earnings formula as of 1/1/99. Hourly employees have the career average earnings formula. Some participants have the supplemental cash balance benefit. Final average earnings (FAE): $1.545\% \text{ of FAE} \times \text{credited service limited to 40 years} - 51.5\% \text{ of Social Security benefit} \times \text{credited service} \div \text{the greater of projected credited service at NRD or 30 years}$. Pension equity: Sum of basic percentages, the greater of the two percentages shown below, for each year of credited service $\times$ FAE + 3.5% of FAE in excess of covered compensation $\times$ credited service, converted to a five-year certain and life annuity.

Years of Credited Service	Purina Basic %	Age + Points Service	Nestlé Basic %*
0 – 5	4.0%	< 40	4.0%
6-10	5.0%	40 – 49	5.0%
11-15	6.5%	50 – 59	6.0%
16-20	8.0%	60 – 69	8.0%
>20	10.0%	70 – 79	10.0%
		80 – 89	12.0%
		> 89	15.0%

*Applies only to 2003 and later.

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Career average earnings (CAE): 1.75% of earnings for each year after 1998 + 1.25% of earnings for each year after 1988 and before 1999 + 1.0% of FAE as of 12/31/1988 x credited service as of 12/31/1988.

Cash balance benefit: Cash balance as of 12/31/2002, plus interest credits, converted to a five-year certain and life annuity. Interest credits are based on 30-year Treasury rates.

Eligibility for Benefits

Normal retirement	Retirement on or after attaining age 65
Early retirement	Retirement before NRD and on or after both attaining age 55 and completing two years of vesting service
Postponed retirement	Retirement after attaining age 65
Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability after completing three years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately.
Early retirement	Accrued FAE or CAE benefit reduced 5.0% for each year prior to age 62; pension equity or cash balance benefit payable immediately
Postponed retirement	Accrued benefit payable immediately.
Vested termination	Accrued FAE or CAE benefit payable unreduced at age 65 or reduced 5.0% for each year prior to age 65; pension equity benefit or cash balance payable immediately
Disablement	Accrued benefit payable at NRD with service credited during disability, and based upon pensionable earnings at date of disability. 15-year service requirement for CAE participants
Preretirement death	If married, reduced 100% joint & survivor early retirement benefit if attained age 55 or 100% joint and survivor early retirement benefit for all others reduced to be payable at age at death. For pension equity and cash balance account, lump sum payment of the pension equity benefit and cash balance account.

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Valuation Date	January 1, 2020

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Other Plan Provisions

Forms of payment

Normal form	Five-year certain and life for single participants; 100% joint and survivor for married participants
Optional forms	50% or 100% joint and survivor annuity; 10 year certain and life annuity; life annuity; lump sum for pension equity only
Pension increases	None
Plan participants' contributions	None
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Forms of Payment

Participant Group	Actuarial Equivalence	Optional Forms
NPPC Traditional Benefit OR Career Average Pay Benefit	■ Formula-based	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity with pop-up 3) 10 year Certain and Life Annuity 4) Level income / any other form
a) Eligible for early retirement b) Deferred vested commencements		
NPPC Account Benefit OR NPPC PPMA Cash Balance	■ Formula-based	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity with pop-up 3) 5 year Certain and Life Annuity, 10 year Certain and Life Annuity 4) Level income / any other form 5) Lump Sum
a) Eligible for early retirement level income option; under age 62 b) Eligible for deferred vested level income option; under age 62 c) Eligible for early retirement; age 62 and older d) Eligible for deferred vested retirement; age 62 and older		

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Future Plan Changes

No future plan changes were recognized in determining minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Plan Name:	Nestlé Puerto Rico Pension Plan
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Plan Sponsor:	Nestlé Puerto Rico Inc.
Valuation Date	January 1, 2020

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Nestlé Puerto Rico (Former Gerber Puerto Rico Employees)

Plan Provisions

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Employees formerly of Gerber Products Company of Puerto Rico, Inc.
Participation date	Age 21 and one year of service. Closed to new entrants effective December 31, 2004.
Type of plan	Frozen pension equity plan

Definitions

Vesting service	The number of completed full plan years of employment with the Company or any Affiliate in which the employee works 975 hours. Service prior to January 1, 1998 is based on prior plan provisions.
Credited service	Same as vesting service.
Pensionable earnings	Total compensation including section 125 and 401(k) contributions but excluding deferred compensation.
Covered compensation	Average of social security wage bases over the 35 years prior to the participant's Social Security Normal Retirement Age (SSNRA).
Accumulated benefit	Lump Sum Benefit: A participant's Lump Sum Benefit is equal to the following calculated as if the person terminated employment on December 31, 2004:

1. The sum of base credits (see below) times Final Average Pay
plus

2. The sum of Excess Credits (see below) times Final Average Pay greater than covered compensation

Sum of Attained Age and Year of Credited Service During the Plan Year	Base Credits	Excess Credits
0 – 34	2.0%	1.0%
35 – 39	3.0%	1.5%
40 – 44	4.0%	2.0%
45 – 49	5.0%	2.5%
50 – 54	6.0%	3.0%
55 – 59	8.0%	4.0%
60 +	10.0%	5.0%

Adjusted Lump Sum Benefit: A participant's Adjusted Lump Sum Benefit is equal to the Participant's Lump Sum Benefit increased by 5% per year from the earlier of the date of the Participant's termination of employment and December 31, 2004 to the Participant's Annuity Starting Date.

Pension Equity Benefit: The monthly amount of each Participant's Pension Benefit is equal to the amount, determined on an Actuarial Equivalent basis,

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of the Participant's Adjusted Lump Sum Benefit expressed as a life annuity payable on the Participant's Annuity Start Date.

Grandfathered Benefit: The benefit, determined in accordance with the plan in effect prior to 2002, for participants who were accruing benefits under the prior plan as of January 1, 2000.

Eligibility for Benefits

Normal retirement	Retirement on or after both attaining age 65 and completing five years of vesting service
Early retirement	Retirement before NRD and on or after both attaining age 60 and completing three years of vesting service
Postponed retirement	Retirement after age 65
Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability on or after both attaining age 50 and completing fifteen years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit (greater of Pension Equity Benefit and Grandfathered Benefit) payable immediately.
Early retirement	Accrued benefit determined as of early retirement date is equal to the greater of (a) and (b) below: (a) The Grandfathered Benefit reduced according to the prior plan provision. (b) Actuarial equivalent of the Adjusted Lump Sum Benefit.
Postponed retirement	Accrued benefit (greater of Pension Equity Benefit and Grandfathered Benefit) payable immediately.
Vested termination	Accrued benefit determined as of termination date, actuarially reduced for commencement of payments prior to NRD
Disablement	Accrued benefit determined as of disability retirement date, reduced by certain other benefits provided by or at the expense of the company.
Preretirement death	A 50% surviving spouse benefit is payable on the participant's early retirement age date

Other Plan Provisions

Forms of payment

Normal form	Life annuity
Optional forms	100%, 75%, and 50% contingent annuitant; lump sum

Pension increases None

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Plan participants' contributions None

Maximum on benefits and pay All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Form Conversion Factors

Optional form conversion factors are the actuarial equivalent factors determined using the following assumptions.

	Mortality Assumption	Interest Assumption
■ Single Sum distributions (from Grandfathered Benefit)	Section 417 mortality	Section 417 interest rates
■ Annuity forms of payment (from Pension Equity Benefit)	GATT Mortality Table frozen as of earlier of DOT and 12/31/2004 ²	GATT Interest Rate (yield on 30-year Treasury Bonds) from November of previous year frozen as of earlier of DOT and 12/31/2004 ²
■ All others	1983 Group Annuity Mortality Table ³	8.5%

Notes

1. Information shown applies to the majority of participants covered under this plan, some small groups of grandfathered participants (CWT, Indianapolis Hourly, Novartis Consumer Health and Ciba Salaried) have optional forms provided on a separate basis. See plan document for more information.
2. Plan Year 2000 – 6.15% and 1983 GAM Table (blended 50% male/50% female)
Plan Year 2001 – 5.78% and 1983 GAM Table (blended 50% male/50% female)
Plan Year 2002 – 5.12% and 1994 GAR Table (blended 50% male/50% female)
Plan Year 2003 – 4.96% and 1994 GAR Table (blended 50% male/50% female)
Plan Year 2004+ – 5.12% and 1994 GAR Table (blended 50% male/50% female)
3. The actuarial equivalent shall be 50% of the actuarial equivalent using male mortality rates only plus 50% of the actuarial equivalent using female mortality rates only.

Future Plan Changes

No future plan changes were recognized in determining minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

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Schedule SB, Line 26
Schedule of Active Participant Data as of January 1, 2020

Attained Age	Attained Years of Credited Service									
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over
Under 25										
25-29										
30-34		1	1							
35-39		3	4							
40-44		2	4	1						
45-49		3	9	2	1					
50-54			6		2	2				
55-59	1	2	1		1	1				
60-64		1			1	1				
65-69										
70 & over										
Average Age: 47.9				Average Service: 8.30						

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Schedule SB – Statement by Enrolled Actuary

Plan Sponsor	Nestlé Puerto Rico Inc.
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Plan Name	Nestlé Puerto Rico Pension Plan
Valuation Date	January 1, 2020
Enrolled Actuary	Michael Altilio
Enrollment Number	20-07062

The actuarial assumptions that are not mandated by IRC § 430 and regulations, represent the enrolled actuary's best estimate of anticipated experience under the plan, subject to the following conditions:

The actuarial valuation, on which the information in this Schedule SB is based, has been prepared in reliance upon the employee and financial data furnished by the plan administrator and the trustee. The enrolled actuary has not made a rigorous check of the accuracy of this information but has accepted it after reviewing it and concluding it is reasonable in relation to similar information furnished in previous years. The amounts of contributions and dates paid shown in Item 18 of Schedule SB were listed in reliance on information provided by the plan administrator and/or trustee.

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Schedule SB, Line 22 Description of Weighted Average Retirement Age as of January 1, 2020

Age	Retirement Rate	1.00 - Retirement Rate	Probability of Remaining Active	Percentage Retiring at Age	Age Times Percentage Retiring
54	0.00%	100.00%	100.00%	0.00%	0.00
55	10.00%	90.00%	90.00%	10.00%	5.50
56	10.00%	90.00%	81.00%	9.00%	5.04
57	10.00%	90.00%	72.90%	8.10%	4.62
58	10.00%	90.00%	65.61%	7.29%	4.23
59	10.00%	90.00%	59.05%	6.56%	3.87
60	15.00%	85.00%	50.19%	8.86%	5.31
61	15.00%	85.00%	42.66%	7.53%	4.59
62	25.00%	75.00%	32.00%	10.67%	6.61
63	25.00%	75.00%	24.00%	8.00%	5.04
64	25.00%	75.00%	18.00%	6.00%	3.84
65	35.00%	65.00%	11.70%	6.30%	4.09
66	35.00%	65.00%	7.60%	4.09%	2.70
67	35.00%	65.00%	4.94%	2.66%	1.78
68	35.00%	65.00%	3.21%	1.73%	1.18
69	35.00%	65.00%	2.09%	1.12%	0.78
70	100.00%	0.00%	0.00%	2.09%	1.46
				100.00%	

Average Retirement Age: 61

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Schedule SB, Part V Summary of Plan Provisions

Nestlé Puerto Rico (Nestlé Puerto Rico employees and NPPC salaried Puerto Rico employees hired after 2002)

Plan Provisions

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Salaried Puerto Rico employees and certain nonunion hourly Puerto Rico employees of Nestlé USA, and salaried Puerto Rico employees of Nestlé Purina PetCare hired after 2002
Participation date	January 1, following date of hire. Closed as of December 31, 2013
Type of plan	Three-year average earnings or pension equity.
Plan freeze	Plan was frozen to new participants as of December 31, 2013. Benefit service and eligible compensation frozen as of December 31, 2013.

Definitions

Vesting service	From date of hire; for HandHeld Foods Group, from 9/12/2002
Credited service	From date of hire; for Beech-Nut, frozen as of 11/3/89; for Franklin Park, Bakersfield Hourly and Carnation, from 1/1/92; for Sunmark, from 6/1/88; for Alpo, from 12/31/94; for Stoughton, from 9/28/95; for HandHeld Foods Group, from 9/12/2002; for Joseph's Pasta, from 12/1/2006; for Nutrition, from 1/1/2010; for Pizza, from 3/1/2010; for Dreyer's, from 1/1/2011.
Pensionable earnings	Total compensation, including bonuses and overtime
Covered compensation	Average of Social Security wage bases over the 35 years prior to the year of termination
Average annual compensation	For pension equity highest of five consecutive calendar years out of the last ten years, divided by five. For three year average, highest three consecutive calendar years out of the last ten years, divided by three.
Accumulated benefit	Covered employees have the pension equity formula, unless they chose to retain the final average earnings formula as of 5/1/2003. Frozen minimum FAE benefit as of 5/1/2003 applies to pension equity participants. Pension equity: Lump sum equal to the sum of basic percentages, as shown below, for each year of credited service x FAE + 3.5% of FAE in excess of covered compensation x credited service.

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Age + Points Service	Basic %
<40	4.0%
40 – 49	5.0%
50 – 59	6.0%
60 – 69	8.0%
70 – 79	10.0%
80 – 89	12.0%
> 89	15.0%

Final average earnings (FAE): .9% of FAE x credited service limited to 35 years + .5% of FAE in excess of covered compensation x credited service limited to 35 years; for employees who were participants on 1/1/89, an additional .3% of FAE x credited service on 1/1/89 limited to 35 years; for former Carnation employees, add the final average pay accrued benefit as of 12/31/91 x the ratio of FAE at termination to FAE on 12/31/91

Eligibility for Benefits

Normal retirement	Retirement on or after attaining age 65
Early retirement	Retirement before NRD and on or after both attaining age 55 and completing ten years of vesting service
Postponed retirement	Retirement after attaining age 65
Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability after completing three years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service.

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately.
Early retirement	FAE accrued benefit reduced 3.0% for each year prior to age 62; pension equity benefit payable immediately
Postponed retirement	Accrued benefit payable immediately.
Vested termination	FAE accrued benefit payable unreduced at age 65, or reduced 6.0% for each year prior to age 65; pension equity benefit payable immediately.
Disablement	Accrued benefit payable at actual retirement, with service credited during disability, and based upon pensionable earnings at date of disability.
Preretirement death	If married, reduced 100% joint & survivor early retirement FAE benefit if attained age 55 or 100% joint and survivor early retirement FAE benefit for all others reduced to be payable at age at death. The pension equity benefit is payable immediately to any beneficiary.

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Other Plan Provisions

Forms of payment

Normal form	Life annuity for single participants; 100% joint and survivor for married participants
Optional forms	50% or 100% joint and survivor annuity; 10 year certain and life; lump sum
Pension increases	None
Plan participants' contributions	None
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Forms of Payment

Participant Group	Actuarial Equivalence	Optional Forms
Nestlé Traditional benefit	■ 8.00%	1) Single Life Annuity
<u>Eligible for early retirement factors</u>	■ 1971 TPF&C	2) 50%, 75%* & 100% Joint Survivor Annuity
No grandfathered prior plan benefits, OR with the following prior plans (but only if Nestlé benefit wins):	Forecast set back 3 years	3) 10 year Certain and Life Annuity
Beechnut		4) Lump Sum
Hills Bros.		5) 5 year Certain and Life Annuity for Hills Bros. only
NFC post-1988 terminations		
Carnation #2 post-1991 terminations		
Clintec		

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Nestlé Traditional benefit

Deferred vested commencements
with deferred vested factors

No grandfathered prior plan benefits,
OR with the following prior plans (but
only if Nestlé benefit wins):

Beechnut

Hills Bros.

NFC post-1988 terminations

Carnation #2 post-1991 terminations

OR post-55 commencement of
excess/ residual piece for the
following prior plans:

Clintec

Hills Bros.

■ 8.00%

■ 1971 TPF&C
Forecast set
back 3 years

1) Single Life Annuity

2) 50%, 75%* & 100% Joint Survivor
Annuity

3) 10 year Certain and Life Annuity

4) Lump Sum

* The 75% Joint Survivor Annuity is only available to participants who terminated prior to May 1, 2003.

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Optional Forms of Payment (cont.)

Participant Group	Actuarial Equivalence	Optional Forms
Carnation Plan #2	Formula-based	1) Single Life Annuity 2) 50%, 75% & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity (post-1991 only) 4) Lump Sum (post-1991 only)
a) Terminations before 12/31/1985 b) Pre-1992 terminations after 12/30/1985 c) Post-1991 terminations & Carnation wins		
Nestlé Traditional benefit / Clintec** & Clintec benefit wins	7.00% 1983 GAM	1) Single Life Annuity 2) 50%, 75%* & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity 4) Lump Sum if < \$10,000
a) Lump sum available b) No lump sum available		
Nestlé Traditional benefit / prior plans	- Beech-Nut factors (for b1) 8.00%, 1971 TPF&C Forecast set back 3 years (except Hills factors for 5 year Certain and Life Annuity) (for h) 8.00%, 1971 TPF&C Forecast set back 3 years (for n)	1) Single Life Annuity 2) 50%, 75%* & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity 4) 5 year Certain and Life Annuity for Hills Bros. only 5) Lump Sum (except b, n2, & n4)
<u>Deferred vested commencements</u> - Beechnut prior plan wins - Hills Bros. pre-55 commencement of "Hills portion" only - Hills Bros. post-55 commencement & prior plan wins - NFC post-1988 terminations pre-55 commencements of "NFC portion" only - NFC post-1988 terminations, post-55 commencements of NUSA excess/residual piece - NFC post-11/30/1989 terminations, post-55 commencements of entire benefit & prior plan wins - NFC terminations between 1/1/1989 & 11/30/1989, post-55 commencements of entire benefit		

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Optional Forms of Payment (cont.)

Participant Group	Actuarial Equivalence	Optional Forms
Prior NFC participants who terminated before 1/1/1989 (married participants only)	6.00% 1979 Buck (80% male set back 1 year, 20% female set back 3 years)	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity
Nestlé Account Benefit No grandfathered prior plan benefits (i.e., participants hired on or after January 1, 2003) OR with grandfathered Nestlé Traditional Benefit or prior plans and Account Benefit wins for all forms	Applicable segment rates and Applicable Mortality	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity 3) Lump Sum
Nestlé Account Benefit With grandfathered Nestlé Traditional Benefit OR other grandfathered prior plan benefits	- Applicable segment rates and Applicable Mortality (for a) 8.00%, 1971 TPF&C Forecast set back 3 years (for b & c)	1) Single Life Annuity 2) 50% & 100% Joint Survivor Annuity 3) 10 year Certain and Life Annuity 4) Lump Sum 5) 75% Joint Survivor Annuity (b and c only)
a) Winning for at least one (but not all) optional forms b) NUSA winning for all optional forms eligible for early retirement factors c) NUSA winning for all optional forms deferred vested commencements with deferred vested factors		

Future Plan Changes

No future plan changes were recognized in determining pension cost, plan accounting liabilities, or minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

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Nestlé Puerto Rico (NPPC salaried Puerto Rico employees hired prior to 2003 and NPPC hourly Puerto Rico employees)

Plan Provisions

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Salaried Puerto Rico employees hired prior to 2003 and hourly Puerto Rico employees of Nestlé Purina PetCare
Participation date	January 1 following date of hire. Closed to new entrants as of December 31, 2013.
Type of plan	Five-year average earnings or pension equity for salaried employees; career average earnings for hourly employees
Plan freeze	Plan was frozen to new participants as of December 31, 2013. Benefit service and eligible compensation frozen as of December 31, 2013.

Definitions

Vesting service	From date of hire
Credited service	From date of hire
Pensionable earnings	Total compensation, including bonuses and overtime
Covered compensation	Average of Social Security wage bases over the 35 years prior to the year of termination.
Accumulated benefit	Salaried employees have the pension equity formula, unless they chose the final average earnings formula as of 1/1/99. Hourly employees have the career average earnings formula. Some participants have the supplemental cash balance benefit. Final average earnings (FAE): $1.545\% \text{ of FAE} \times \text{credited service limited to 40 years} - 51.5\% \text{ of Social Security benefit} \times \text{credited service} \div \text{the greater of projected credited service at NRD or 30 years}$. Pension equity: Sum of basic percentages, the greater of the two percentages shown below, for each year of credited service $\times \text{FAE} + 3.5\% \text{ of FAE in excess of covered compensation} \times \text{credited service}$, converted to a five-year certain and life annuity.

Years of Credited Service	Purina Basic %	Age + Points Service	Nestlé Basic %*
0 – 5	4.0%	< 40	4.0%
6-10	5.0%	40 – 49	5.0%
11-15	6.5%	50 – 59	6.0%
16-20	8.0%	60 – 69	8.0%
>20	10.0%	70 – 79	10.0%
		80 – 89	12.0%
		> 89	15.0%

*Applies only to 2003 and later.

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Career average earnings (CAE): 1.75% of earnings for each year after 1998 + 1.25% of earnings for each year after 1988 and before 1999 + 1.0% of FAE as of 12/31/1988 x credited service as of 12/31/1988.

Cash balance benefit: Cash balance as of 12/31/2002, plus interest credits, converted to a five-year certain and life annuity. Interest credits are based on 30-year Treasury rates.

Eligibility for Benefits

Normal retirement	Retirement on or after attaining age 65
Early retirement	Retirement before NRD and on or after both attaining age 55 and completing two years of vesting service
Postponed retirement	Retirement after attaining age 65
Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability after completing three years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit payable immediately.
Early retirement	Accrued FAE or CAE benefit reduced 5.0% for each year prior to age 62; pension equity or cash balance benefit payable immediately
Postponed retirement	Accrued benefit payable immediately.
Vested termination	Accrued FAE or CAE benefit payable unreduced at age 65 or reduced 5.0% for each year prior to age 65; pension equity benefit or cash balance payable immediately
Disablement	Accrued benefit payable at NRD with service credited during disability, and based upon pensionable earnings at date of disability. 15-year service requirement for CAE participants
Preretirement death	If married, reduced 100% joint & survivor early retirement benefit if attained age 55 or 100% joint and survivor early retirement benefit for all others reduced to be payable at age at death. For pension equity and cash balance account, lump sum payment of the pension equity benefit and cash balance account.

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Other Plan Provisions

Forms of payment

Normal form	Five-year certain and life for single participants; 100% joint and survivor for married participants
Optional forms	50% or 100% joint and survivor annuity; 10 year certain and life annuity; life annuity; lump sum for pension equity only
Pension increases	None
Plan participants' contributions	None
Maximum on benefits and pay	All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Forms of Payment

Participant Group	Actuarial Equivalence	Optional Forms
NPPC Traditional Benefit OR Career Average Pay Benefit	■ Formula-based	1) Single Life Annuity
a) Eligible for early retirement		2) 50% & 100% Joint Survivor Annuity with pop-up
b) Deferred vested commencements		3) 10 year Certain and Life Annuity
		4) Level income / any other form
NPPC Account Benefit OR NPPC PPMA Cash Balance	■ Formula-based	1) Single Life Annuity
a) Eligible for early retirement level income option; under age 62		2) 50% & 100% Joint Survivor Annuity with pop-up
b) Eligible for deferred vested level income option; under age 62		3) 5 year Certain and Life Annuity, 10 year Certain and Life Annuity
c) Eligible for early retirement; age 62 and older		4) Level income / any other form
d) Eligible for deferred vested retirement; age 62 and older		5) Lump Sum

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Future Plan Changes

No future plan changes were recognized in determining minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

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Nestlé Puerto Rico (Former Gerber Puerto Rico Employees)

Plan Provisions

The most recent amendment reflected in the following plan provisions was effective in 2013.

Covered employees	Employees formerly of Gerber Products Company of Puerto Rico, Inc.
Participation date	Age 21 and one year of service. Closed to new entrants effective December 31, 2004.
Type of plan	Frozen pension equity plan

Definitions

Vesting service	The number of completed full plan years of employment with the Company or any Affiliate in which the employee works 975 hours. Service prior to January 1, 1998 is based on prior plan provisions.
Credited service	Same as vesting service.
Pensionable earnings	Total compensation including section 125 and 401(k) contributions but excluding deferred compensation.
Covered compensation	Average of social security wage bases over the 35 years prior to the participant's Social Security Normal Retirement Age (SSNRA).
Accumulated benefit	Lump Sum Benefit: A participant's Lump Sum Benefit is equal to the following calculated as if the person terminated employment on December 31, 2004: 1. The sum of base credits (see below) times Final Average Pay plus 2. The sum of Excess Credits (see below) times Final Average Pay greater than covered compensation

Sum of Attained Age and Year of Credited Service During the Plan Year	Base Credits	Excess Credits
0 – 34	2.0%	1.0%
35 – 39	3.0%	1.5%
40 – 44	4.0%	2.0%
45 – 49	5.0%	2.5%
50 – 54	6.0%	3.0%
55 – 59	8.0%	4.0%
60 +	10.0%	5.0%

Adjusted Lump Sum Benefit: A participant's Adjusted Lump Sum Benefit is equal to the Participant's Lump Sum Benefit increased by 5% per year from the earlier of the date of the Participant's termination of employment and December 31, 2004 to the Participant's Annuity Starting Date.

Pension Equity Benefit: The monthly amount of each Participant's Pension Benefit is equal to the amount, determined on an Actuarial Equivalent basis,

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of the Participant's Adjusted Lump Sum Benefit expressed as a life annuity payable on the Participant's Annuity Start Date.

Grandfathered Benefit: The benefit, determined in accordance with the plan in effect prior to 2002, for participants who were accruing benefits under the prior plan as of January 1, 2000.

Eligibility for Benefits

Normal retirement	Retirement on or after both attaining age 65 and completing five years of vesting service
Early retirement	Retirement before NRD and on or after both attaining age 60 and completing three years of vesting service
Postponed retirement	Retirement after age 65
Vested termination	Termination for reasons other than death or retirement after completing three years of vesting service
Disability	Permanent and total disability on or after both attaining age 50 and completing fifteen years of vesting service
Preretirement death benefit	Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse on or after completing three years of vesting service

Benefits Paid Upon the Following Events

Normal retirement (NRD)	Accrued benefit (greater of Pension Equity Benefit and Grandfathered Benefit) payable immediately.
Early retirement	Accrued benefit determined as of early retirement date is equal to the greater of (a) and (b) below: (a) The Grandfathered Benefit reduced according to the prior plan provision. (b) Actuarial equivalent of the Adjusted Lump Sum Benefit.
Postponed retirement	Accrued benefit (greater of Pension Equity Benefit and Grandfathered Benefit) payable immediately.
Vested termination	Accrued benefit determined as of termination date, actuarially reduced for commencement of payments prior to NRD
Disablement	Accrued benefit determined as of disability retirement date, reduced by certain other benefits provided by or at the expense of the company.
Preretirement death	A 50% surviving spouse benefit is payable on the participant's early retirement age date

Other Plan Provisions

Forms of payment

Normal form	Life annuity
Optional forms	100%, 75%, and 50% contingent annuitant; lump sum
Pension increases	None

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Plan participants' contributions None

Maximum on benefits and pay All benefits and pay for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective. Increases in the dollar limits are assumed for determining pension cost but not for determining contributions.

Optional Form Conversion Factors

Optional form conversion factors are the actuarial equivalent factors determined using the following assumptions.

	Mortality Assumption	Interest Assumption
■ Single Sum distributions (from Grandfathered Benefit)	Section 417 mortality	Section 417 interest rates
■ Annuity forms of payment (from Pension Equity Benefit)	GATT Mortality Table frozen as of earlier of DOT and 12/31/2004 ²	GATT Interest Rate (yield on 30-year Treasury Bonds) from November of previous year frozen as of earlier of DOT and 12/31/2004 ²
■ All others	1983 Group Annuity Mortality Table ³	8.5%

Notes

1. Information shown applies to the majority of participants covered under this plan, some small groups of grandfathered participants (CWT, Indianapolis Hourly, Novartis Consumer Health and Ciba Salaried) have optional forms provided on a separate basis. See plan document for more information.
2. Plan Year 2000 – 6.15% and 1983 GAM Table (blended 50% male/50% female)
Plan Year 2001 – 5.78% and 1983 GAM Table (blended 50% male/50% female)
Plan Year 2002 – 5.12% and 1994 GAR Table (blended 50% male/50% female)
Plan Year 2003 – 4.96% and 1994 GAR Table (blended 50% male/50% female)
Plan Year 2004+ – 5.12% and 1994 GAR Table (blended 50% male/50% female)
3. The actuarial equivalent shall be 50% of the actuarial equivalent using male mortality rates only plus 50% of the actuarial equivalent using female mortality rates only.

Future Plan Changes

No future plan changes were recognized in determining minimum and maximum contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

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Schedule SB, Line 24 Change in Actuarial Assumptions

- The assumption that active participants will retire at age 65 was updated to use the active decrements from the 2020 experience study.
- The retirement rates, withdrawal rates, form of payment and benefit commencement dates for terminated vested participants assumptions were updated to reflect the 2020 experience study.

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