Good Food, Good Life

Nestlé 401(k) Savings Plan and the Nestlé USA, Inc. Hourly Retirement Savings Plan (each referred to as "Savings Plan") - Important Information Regarding Your Right to Defer Distributions For Payments Not From A Designated Roth Account

As a participant in the Savings Plan, you will need to make a decision about what to do with your retirement savings in the Savings Plan upon you separation of employment. This notice, provided in accordance with federal tax laws, is intended to describe the tax consequences of distributions from the Savings Plan of amounts that are not from a designated Roth account (a type of account with special tax rules in some employer plans), including the consequences of not delaying payment of your benefit. A separate Notice describes the tax consequences of a distribution from a designated Roth account under the Savings Plan, including the consequences of not delaying payment of your benefit.

While you are permitted to take a distribution of part or all of your account upon separation of employment, did you know that if you are under age 72, you may elect to leave your account in the Savings Plan and continue to direct the investment of your account from among the available investment options? This will allow you to defer federal income tax, will allow any investment earnings on your account to continue to grow tax-free, and may result in a lower rate of income tax when you ultimately take a distribution from your Savings Plan account.

If you decide to take a distribution from the Savings Plan upon separation of employment, any amount you receive will generally be included in your taxable income, unless it is a lump sum distribution that you roll over to a traditional IRA or another eligible plan. If you do not roll your lump sum distribution directly over to an IRA or another eligible plan, the entire amount (other than any after-tax contributions, including Roth 401(k) amounts and earnings on those amounts) will be subject to 20% income tax withholding. It may also be subject to an additional 10% penalty tax if you receive the distribution before age 59½.

If you decide to keep your money in the Savings Plan, you must begin taking required minimum distributions beginning April 1 of the year following the year you reach 72 or retire, whichever is later. This rule may not apply to you if you reached age 70½ before December 31, 2019. If that is the case, you must begin taking required minimum distributions beginning April 1 of the year following the year you reached age 70½. **The Special Tax Notice below describes in more detail the consequences of taking a distribution or rolling it into an IRA or another qualified plan.**

If you elect to defer distribution of your Savings Plan account, information regarding the investment options available to you, including descriptions of the investment objectives and a summary of the fees for the different investment options, can be found in the Smart$aving Guide, Self-Directed Brokerage Account Fact Sheet, Investment Fund Fact Sheets, and Investment Summary. This information may also be found on the Nestlé Smart$aving website (**nestle.voya.com**) or you may request it by calling the Nestlé Smart$aving Call Center at **1-877-NesCALL (1-877-637-2255**) and selecting the "401(k) Savings" prompt.

The Summary Plan Description ("SPD") provides further information regarding Savings Plan benefits. We encourage you to refer to your Savings Plan's SPD for Savings Plan rules that may affect your decision regarding when to process a distribution from the Savings Plan. The SPD is available on the Nestlé Smart$aving website or by calling the Nestlé Smart$aving Call Center.

How to obtain additional information
For more information regarding Savings Plan rules or your distribution, contact the Nestlé Smart$aving Call Center.

Special Tax Notice ("Notice") Regarding Plan Payments- Your Rollover Options
This Notice is provided to you by Nestlé USA, Inc. (your "Plan Administrator") because all or a portion of a payment you may receive from the Savings Plan may be eligible to be rolled over to an IRA or an employer plan. This Notice is intended to help you decide whether to do such a rollover.

This Notice describes the rollover rules that apply to payments from the Savings Plan that are not from a designated Roth account (a type of account with special tax rules in some employer plans). If you also receive a payment from a designated Roth account in the Savings Plan, you will be provided a different notice for that payment, and the Plan Administrator will tell you the amount that is being paid from each account.

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

This Notice is based on a format prepared by the Internal Revenue Service. Although the Plan Administrator hopes that you find this information helpful, neither the Plan Administrator, nor the trustee, nor any other person related to them can provide tax advice or make any representations regarding the tax consequences with respect to rollovers or distributions of your Savings Plan benefit.

Your right to waive the 30-day notice period
Generally, neither a direct rollover nor a payment can be made from the Savings Plan until at least 30 days after you receive this Notice. Thus, after receiving this Notice, you have at least 30 days to consider whether or not to have your distribution directly rolled over. If you do not wish to wait until the full 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether you would like your payment made in a direct rollover or directly to you. Your distribution election will then be processed as soon as practical after it is received by the Plan Administrator.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?
You will be taxed on a payment from the Savings Plan if you do not roll it over. If you are under age 59 ½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (generally, distributions made before age 59-1/2), unless an exception

applies). However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59 ½ (or if an exception applies).

What types of retirement accounts and plans may accept my rollover?
You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I do a rollover?
There are two ways to do a rollover. You can do either a direct rollover or a 60-day rollover.

<u>If you do a direct rollover</u>, the Savings Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

<u>If you do not do a direct rollover</u>, you may still do a rollover by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Savings Plan is required to withhold 20% of the taxable amount of the payment for federal income taxes. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59 ½ (unless an exception applies).

How much may I roll over?
If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Savings Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Required minimum distributions after age 72 (or after death);
- Hardship distributions;
- Corrective distributions of contributions that exceed tax law limitations; and
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends).

The Plan Administrator or the payor can tell you what portion of a payment is eligible for rollover.

If I don’t do a rollover, will I have to pay the 10% additional income tax on early distributions?
If you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions for any payment from the Savings Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Savings Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Payments made due to disability;
- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days; and
- Payments for certain distributions relating to certain federally declared disasters.

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?
If you receive a payment from an IRA when you are under age 59 ½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation does not apply.
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse).
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments for health insurance premiums after you have received unemployment

compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?
This Notice does not describe any State or local income tax rules (including withholding rules) that may apply.

SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions
After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is included in the payment, so you cannot take a payment of only after-tax contributions. However, if you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment. In addition, special rules apply when you do a rollover, as described below.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Savings Plan and at the same time the rest is paid to you, the portion directly rolled over consists first of the amount that would be taxable if not rolled over. For example, assume you are receiving a distribution of $12,000, of which $2,000 is after-tax contributions. In this case, if you directly roll over $10,000 to an IRA that is not a Roth IRA, no amount is taxable because the $2,000 amount not directly rolled over is treated as being after-tax contributions. If you do a direct rollover of the entire amount paid from the Savings Plan to two or more destinations at the same time, you can choose which destination receives the after-tax contributions.

If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals $12,000, of which $2,000 is after-tax contributions and no part of the distribution is directly rolled over. In this case, if you roll over $10,000 to an IRA that is not a Roth IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

If you miss the 60-day rollover deadline
Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

If you have an outstanding loan that is being offset
If you have an outstanding loan from the Savings Plan, your Savings Plan benefit may be offset by the outstanding amount of the loan, typically when your employment ends. The loan offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount. Any offset amount that is not rolled over will be taxed (including the 10% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers).

How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover. A qualified plan loan offset occurs when a plan loan in good standing is offset because your employer plan terminates, or because you sever from employment. If your plan loan offset occurs for any other reason, then you have 60 days from the date the offset occurs to complete your rollover.

If you were born on or before January 1, 1936
If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, Pension and Annuity Income.

If you roll over your payment to a Roth IRA
If you roll over the payment from the Savings Plan to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59 ½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)* and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

If you are not a Savings Plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions does not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the participant was born on or before January 1, 1936.

If you are a surviving spouse. If you receive a payment from the Savings Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this Notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59 ½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 72.

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Savings Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 72.

If you are a surviving beneficiary other than a spouse. If you receive a payment from the Savings Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from the Savings Plan under a qualified domestic relations order (QDRO), you generally have the same options and the same tax treatment that the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). However, payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien

If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Savings Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than $200 (not including payments from a designated Roth account in the Savings Plan), the Savings Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

Unless you elect otherwise, a mandatory cashout of more than $1,000 (not including payments from a designated Roth account in the Savings Plan) will be directly rolled over to an IRA chosen by the Plan Administrator or the payor. A mandatory cashout is a payment from a plan to a participant made before age 62 (or normal retirement age, if later) and without consent, where the participant's benefit does not exceed $5,000 (not including any amounts held under the plan as a result of a prior rollover made to the plan).

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, *Armed Forces' Tax Guide*. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at **irs.gov**.

FOR MORE INFORMATION

You may wish to consult with the Savings Plan Administrator or payor, or a professional tax advisor, before taking a payment from the Savings Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*; IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*; and IRS Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans)*. These publications are available from a local IRS office, on the web at **irs.gov**, or by calling 1-800-TAX-FORM.

For certain additional information, you may also access the Nestlé Smart$aving website at **nestle.voya.com** or call the Nestlé Smart$aving Call Center toll-free at **1-877-NesCALL (1-877-637-2255)** and select the "401(k) Savings" prompt. The Nestlé Smart$aving website and the Nestlé Smart$aving Call Center, the automated voice response system, are generally available 24 hours a day, 7 days a week. Nestlé Smart$aving Call Center Representatives are available Monday through Friday, 7:30 a.m. to 8:00 p.m. (Eastern Time), except New York Stock Exchange holidays. However, neither the Nestlé Smart$aving Call Center Representatives nor the Plan Administrator can give tax advice or make representations regarding the tax consequences with respect to rollovers or distributions of your Savings Plan benefit. You should consult your personal tax advisor regarding the tax consequences of your distribution.