



Nestlé

Creating Shared Value

Nutrition | Water | Rural Development

Creating Shared Value: The new concept of Corporate Social Responsibility

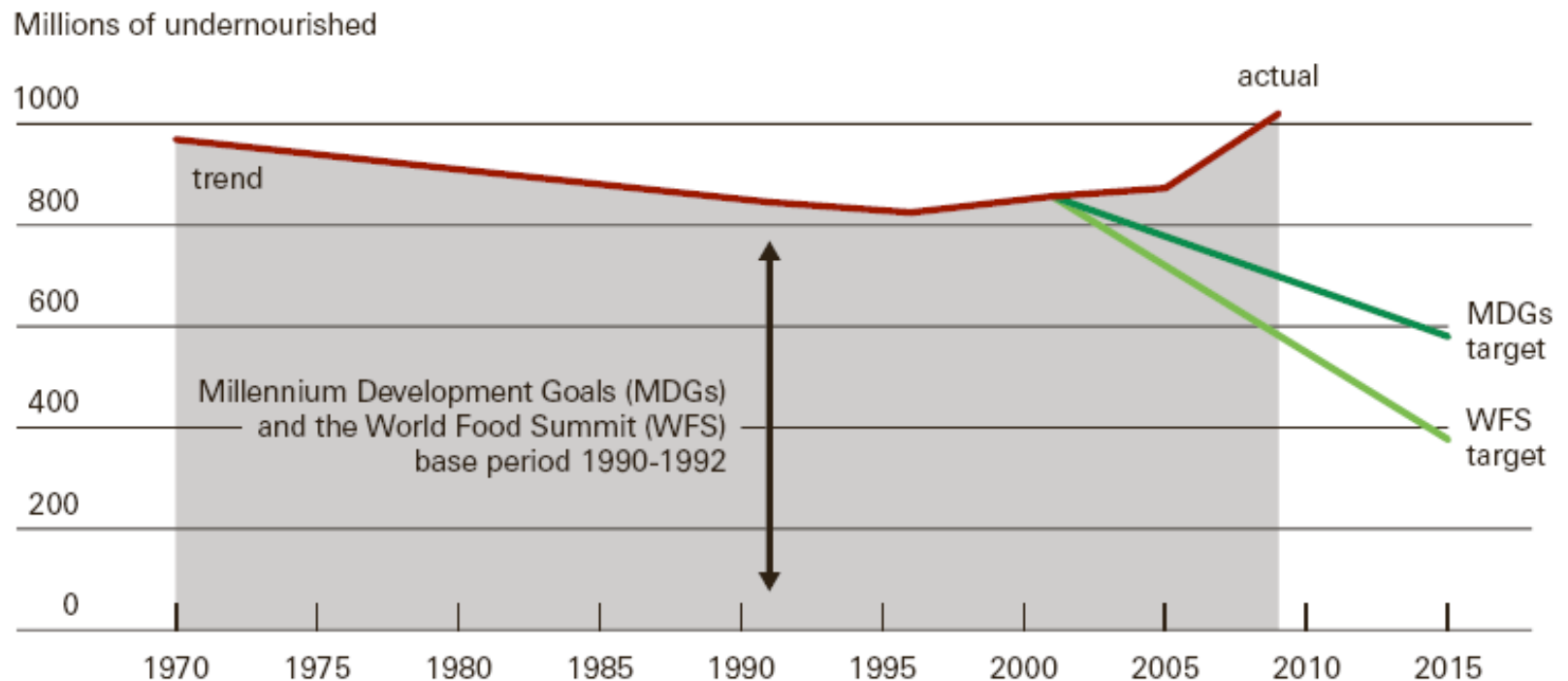
Peter Brabeck-Letmathe
Chairman
Nestlé S.A

International Food Policy
Research Institute
Washington, D.C.

4th March 2010

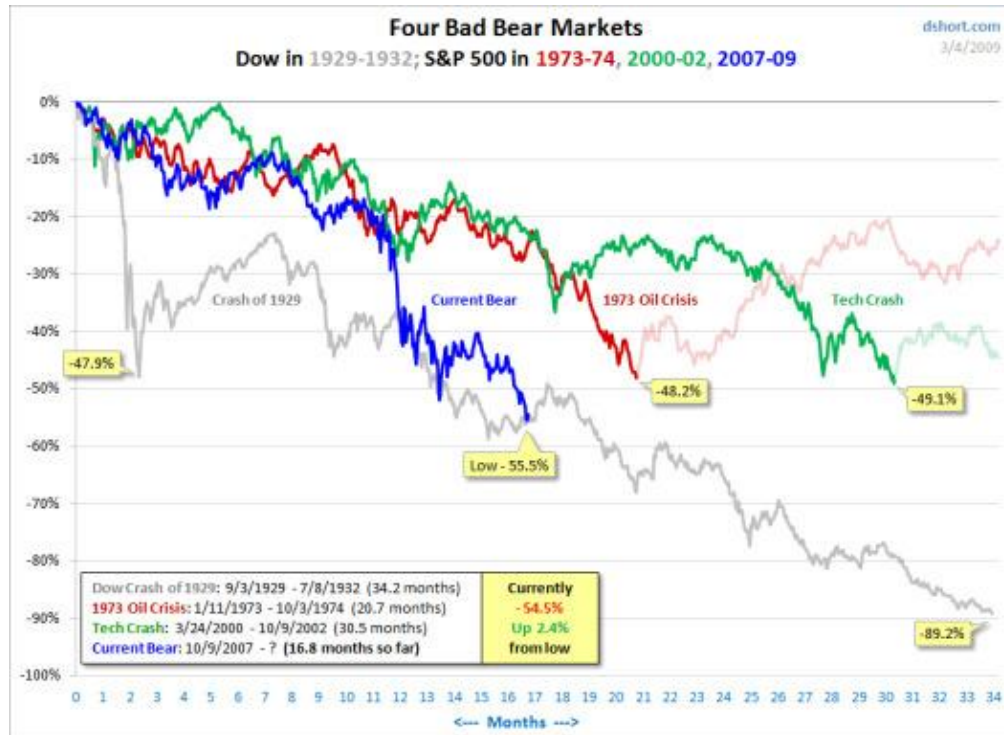
Current food security trends

Number of undernourished people in the developing world



source: FAO

Effects of the recent crisis

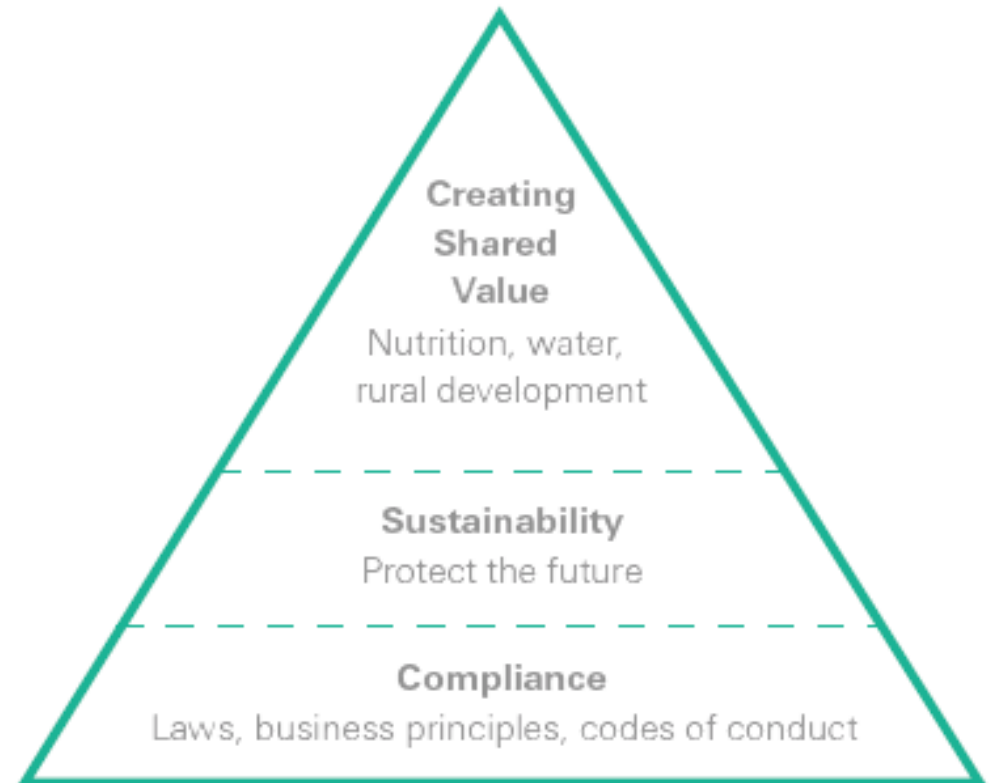


- \$50 Trillion Asset value destroyed in the last 24 months
- 53 million more in developing world face poverty (*World Bank*)
- -\$14.5 billion in US philanthropic donations in 2008 (*Giving USA*)

Nestlé and corporate responsibility

"Going beyond sustainability, to create value for shareholders & society - which is integrally linked to our core business strategies & operations"

"Development which meets the needs of the present without compromising the ability of future generations to meet their own needs"



Progress in Environmental Sustainability: energy/emissions



Replacing coal with gas at Graneros, Chile.



Co-generation plant at Mainz coffee factory, Germany, where spent coffee grounds are used as fuel

- Direct energy consumption down **58%** 1999 – 2008 (per tonne)
- Direct and indirect energy consumption and carbon emissions now monitored:
 - Direct CO₂ emissions down **48%** 1999-2008; indirect CO₂ emissions **-3%** yoy
- Participation in Carbon Disclosure Project

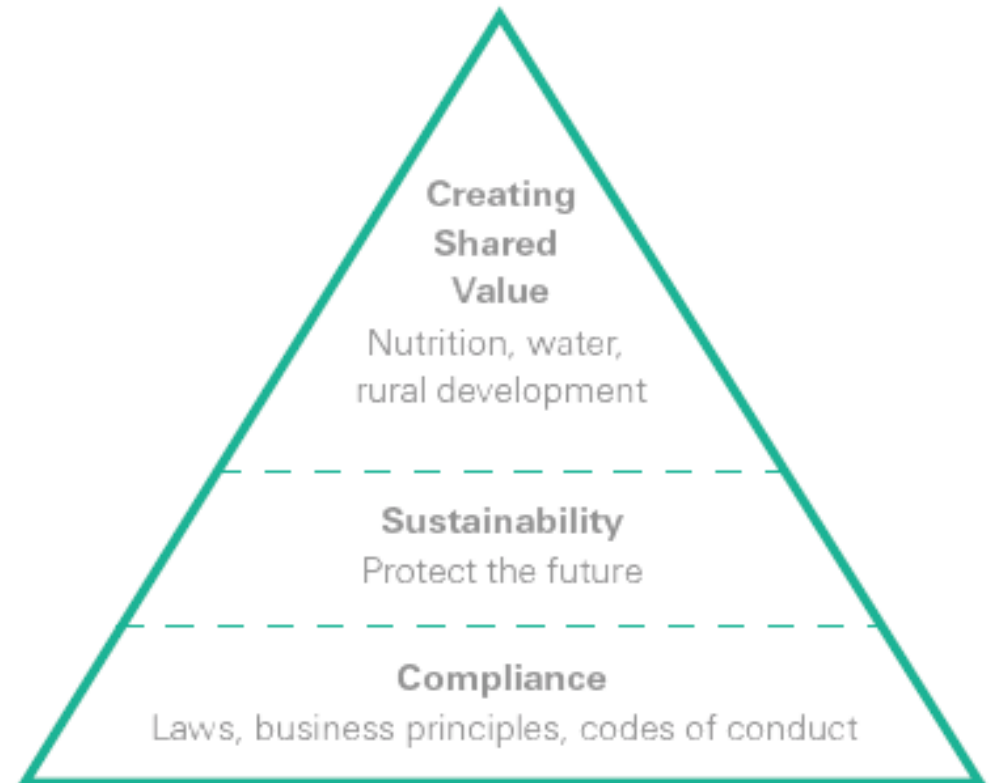
Value for Society: *reduced carbon footprint*

Value for Nestlé: *risk and cost reduction*

Nestlé and Creating Shared Value

"Going beyond sustainability, to create value for shareholders & society - which is integrally linked to our core business strategies & operations"

"Development which meets the needs of the present without compromising the ability of future generations to meet their own needs"



Nestlé Creating Shared Value: 3 focus areas



Rural Development



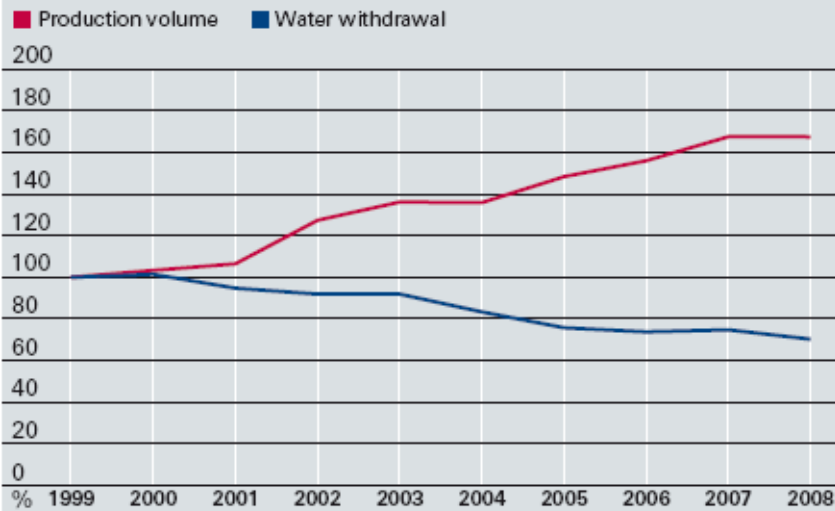
Water



Nutrition

Nestlé and Water: Progress in Environmental Sustainability

Water withdrawal versus production volume, 1999-2008*



*Relative to index 1999
Source: Nestlé



- Water withdrawal down **58%** 1999-2008, **6%** per tonne of product yoy
- Despite **68%** production increase
- **26%** reduction in water used for each litre of bottled water over 10 years (now **1.76**l/l)
- Leadership on water: UNGC CEO Water Mandate, WEF, Water Resources Group

Value for Society: *reduced impact on water availability/waste/packaging/vocal advocacy*

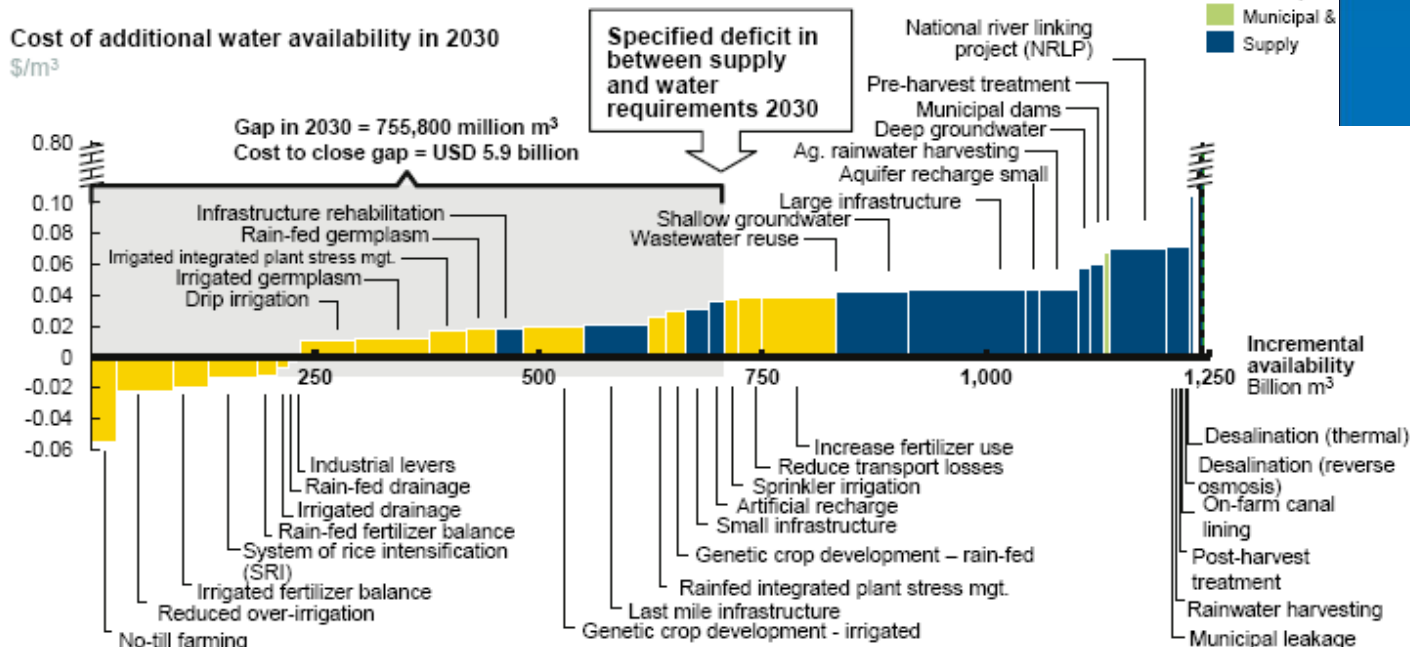
Value for Nestlé: *risk and cost reduction*

Nestlé and Water: Water Resources Group



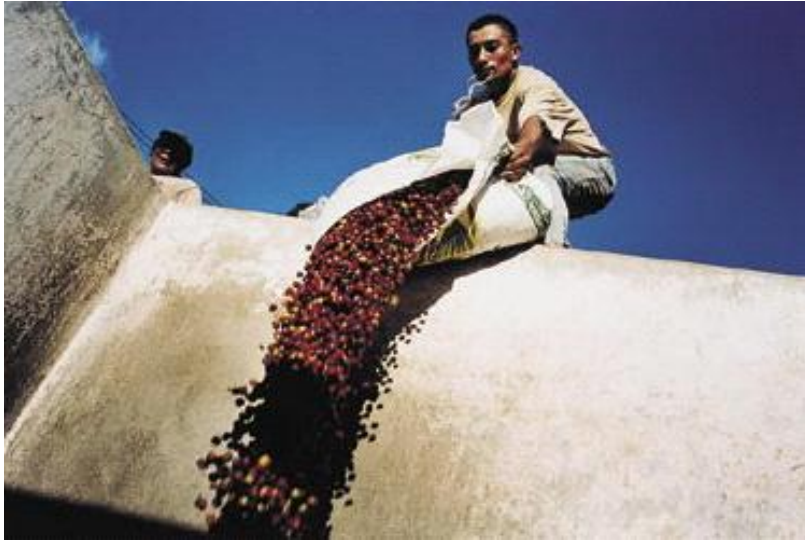
India – Water availability cost curve

Cost of additional water availability in 2030
\$/m³



SOURCE: 2030 Water Resources Group

Creating Shared Value and Rural Development through agriculture/sourcing



- **CHF 22.5 billion** of raw materials, **2/3** from emerging economies
- **594 223** farmers supply Nestlé directly and receive technical assistance
- **CHF 30 million** of micro-credit loans to farmers

Value for Society: *knowledge sharing, improved agricultural & water management practices*

Value for Nestlé: *quality supplies from motivated, enabled farmers*

Rural development: Milk districts in 30+ countries



- Free veterinary service-health, breeding
- Animal feed at cost
- Teaching silage methods
- Biogas generators
- Cooling tanks
- Sanitation & Clean Water

“
Our cows produce on average 9 or 10 litres of milk per day, whereas some 30 years ago we wouldn't have expected more than 2 litres per animal

”
Rufino Chindicué,
Caquetá milk farmer
and Nestlé supplier



2009 Rural Development Commitment: Abidjan Regional Development Centre



Increase agricultural productivity and safety of foods

- **1 million** cocoa plantlets per year from 2012, training **30,000 farmers** over 10 years
- Already developing and improving local crops and cereal-based products in West African region
- Long-term commitment to rural development and use of local material rather than imports

Creating Shared Value and Nutrition: Popularly Positioned Products



- **Brazil**: Popularly Positioned Product plant, Feira de Santana.
- Investment CHF **60 million**

Improving distributors' incomes and bringing micronutrient fortification



- Até Voce: **6,000** women micro-entrepreneurs empowered in Brazil
- Many PPP products nutritionally fortified (vitamins, A, C, D; Iron)
- Affordable fortified milks: **17 billion** servings in **60** countries during 2009
- Iodine-fortified bouillon cubes: **89** billion servings in 2009

Value for Society: *income creation, skills transfer, microfinance, micronutrient fortification*

Value for Nestlé: *appropriate route to market for growth market segment*

Improving nutrition, health and wellness of school age children



Nestlé Healthy Kids Global Programme

- 2009: **10 million** children, **30** programmes globally
- 2010: **40** additional pilot programmes

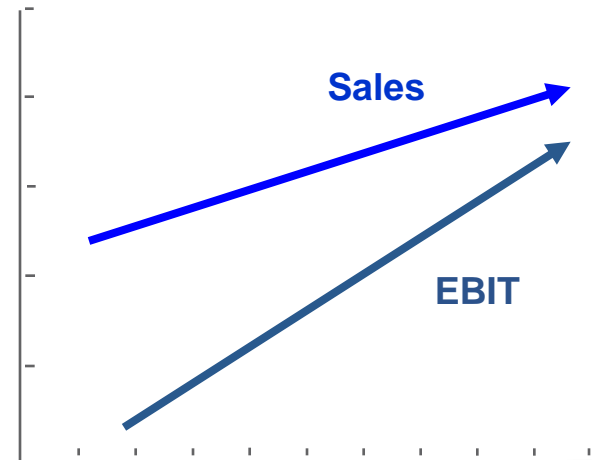
Nutrition education in Europe, Asia and Latin America



- EPODE (France, Spain, Belgium) – **2.5 million** children
- Nutrir (Brazil) – **1.2 million**
- Healthy Thai Kids (Thailand) – **10,000** schools

The Nestlé Model

1. Annual **Organic Growth 5 - 6%**
2. Continued year after year improvement of **EBIT margin**
3. Improving Capital efficiency / Business **ROIC / Cash returns to shareholders**
4. Strive for market leadership or strong **No 2 positions.**



**Resulting in an industry outperforming,
long-term total shareholder return**

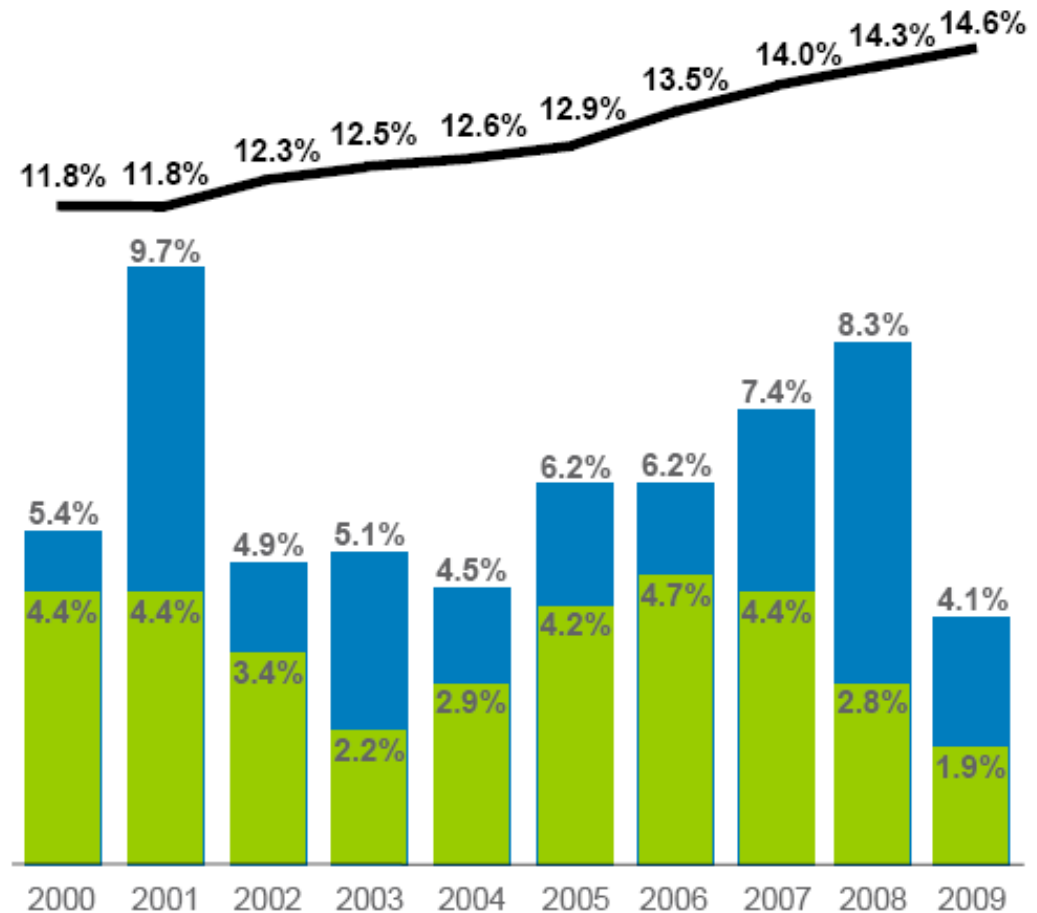
10 years of the Nestlé Model

Driving Organic Growth & EBIT Margin Improvement

10-year annual averages

Organic Growth	6.2%
Real Internal Growth	3.5%
Price	2.7%
EBIT margin	+30bps*

- RIG
- % Organic Growth
- EBIT margin

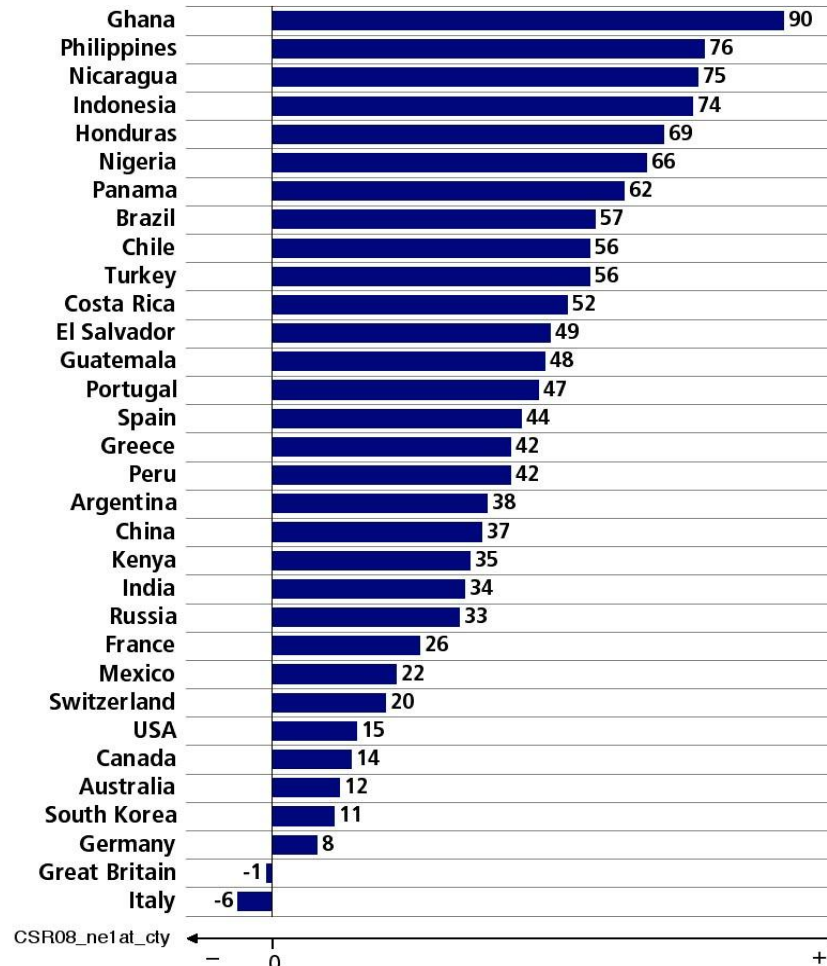


*9-year average

Data corresponds to published figures – not restated for accounting changes

Nestlé's Performance in Fulfilling Responsibilities to Society

Net Ratings,* By Country, 2007



*"Best" and "Above average" minus "Below average" and "Worst"



Competitive Advantage and Corporate Responsibility



“The Link Between Competitive Advantage and Corporate Responsibility”

Michael Porter, Mark Kramer,
Harvard Business Review,
December 2006

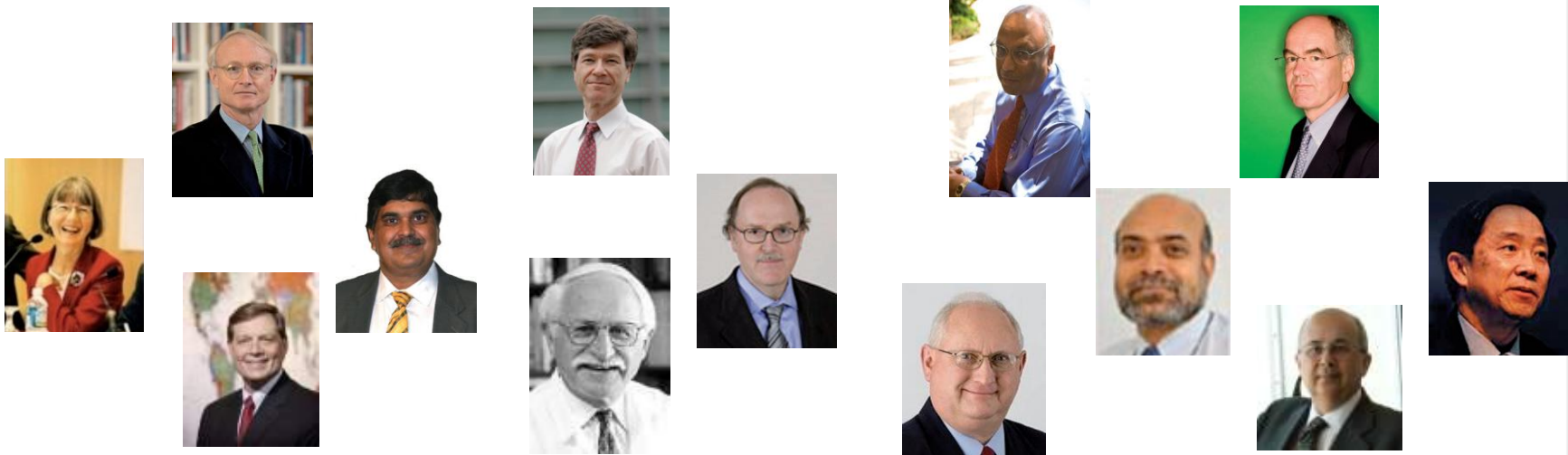
*Nestlé Creating Shared Value
Reporting and KPIs: visit
www.nestle.com/csv*

Creating Shared Value Concept

Global Launch at United Nations, April 27, 2009



Nestlé Creating Shared Value Advisory Board



Michael Porter, Harvard Business School

Jeffrey Sachs, Columbia Earth Institute

CK Prahalad, Author, 'The Fortune at the Base of the Pyramid'

John Elkington, Founder, SustainAbility

Nancy Birdsall, Exec. Director, Global Development Institute

Ajay Vashee, President, World Farmers' Federation

Joachim von Braun, Chairman, IFPRI

Venkatesh Mannar, Founder and President. Micronutrient Initiative

Kraisid Tontrisirin, Former Director of Nutrition, FAO

Robert Black, Professor in International Health, Johns Hopkins Bloomberg School of Public Health.

Irv Rosenberg, Professor of Nutrition, Tufts University

Robert Thompson, former Director of Agriculture, World Bank

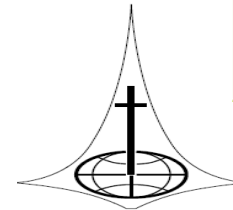
Ismael Serageldin, Biblioteca Alexandrina

The Nestlé Prize in Creating Shared Value

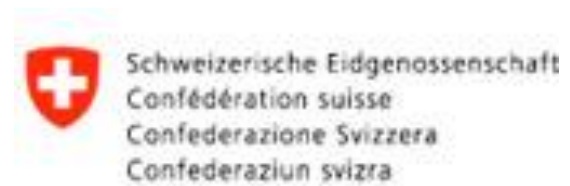
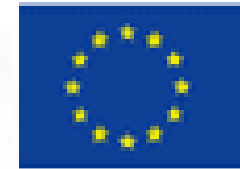


- Prize for best Creating Shared Value Project
- Nutrition, Water, Rural Development
- Entries from Civil Society and SMEs
- Up to CHF 500,000 scale-up funding for laureate
- Awarded every two years, starting May 2010

Nestlé Dialogue Partners



United Nations Global Compact





Nestlé

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- Questions and comments?
- More at www.creatingsharedvalue.org