

Creating shared value: Compliance with Nestlé Corporate Business Principles



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Shared Value Creation Day
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This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

Governance Nestlé Group Audit (NGA)

- Driving Shared Value
- Reporting Structure
- Audit Committee Charter
- Key Initiatives to further drive compliance

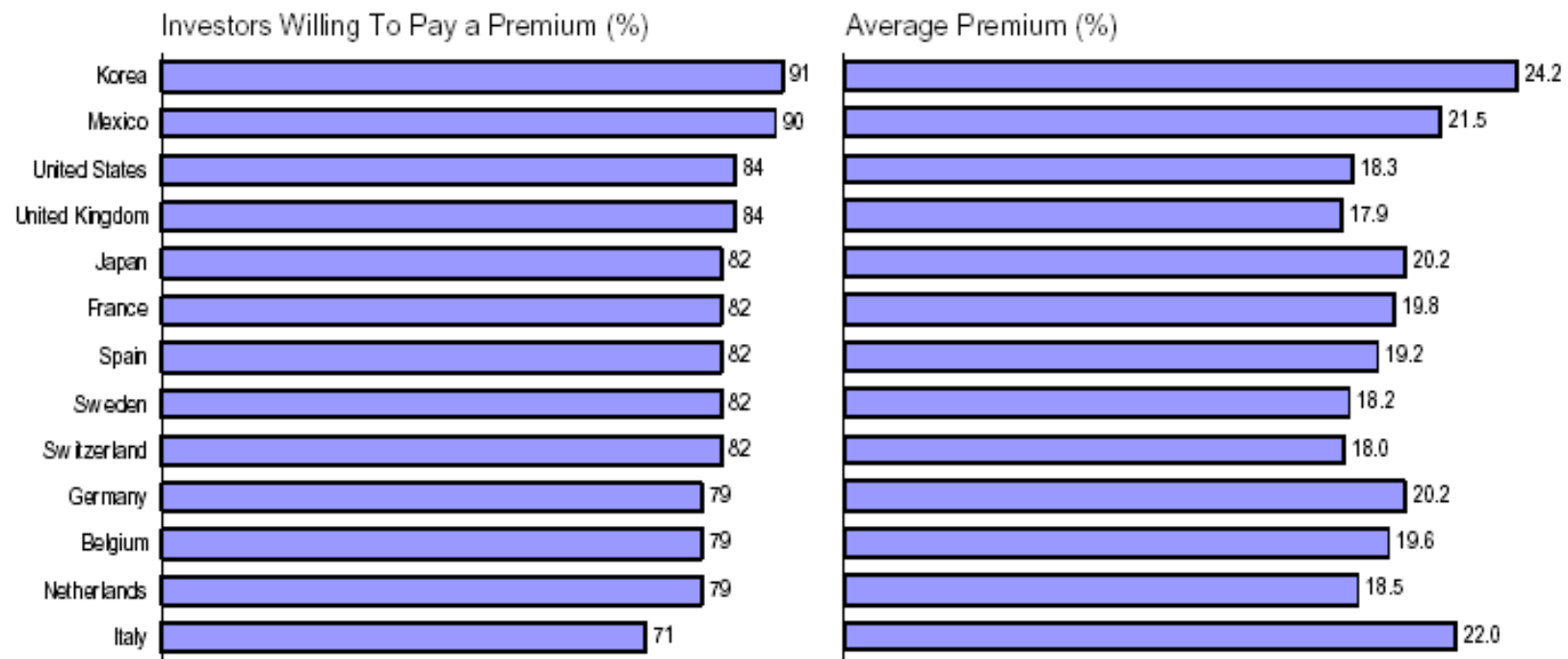
Audit Process & Cycle

- Risk based Audit Plan
- Audit Scope

Conclusion

Good Corporate Governance & Compliance drives shareholder value

80 percent of investors indicate, they would pay more for the shares of a well-governed company than that of a poorly-governed one with a comparable financial performance



Source: Corporate Executive Board, McKinsey Survey

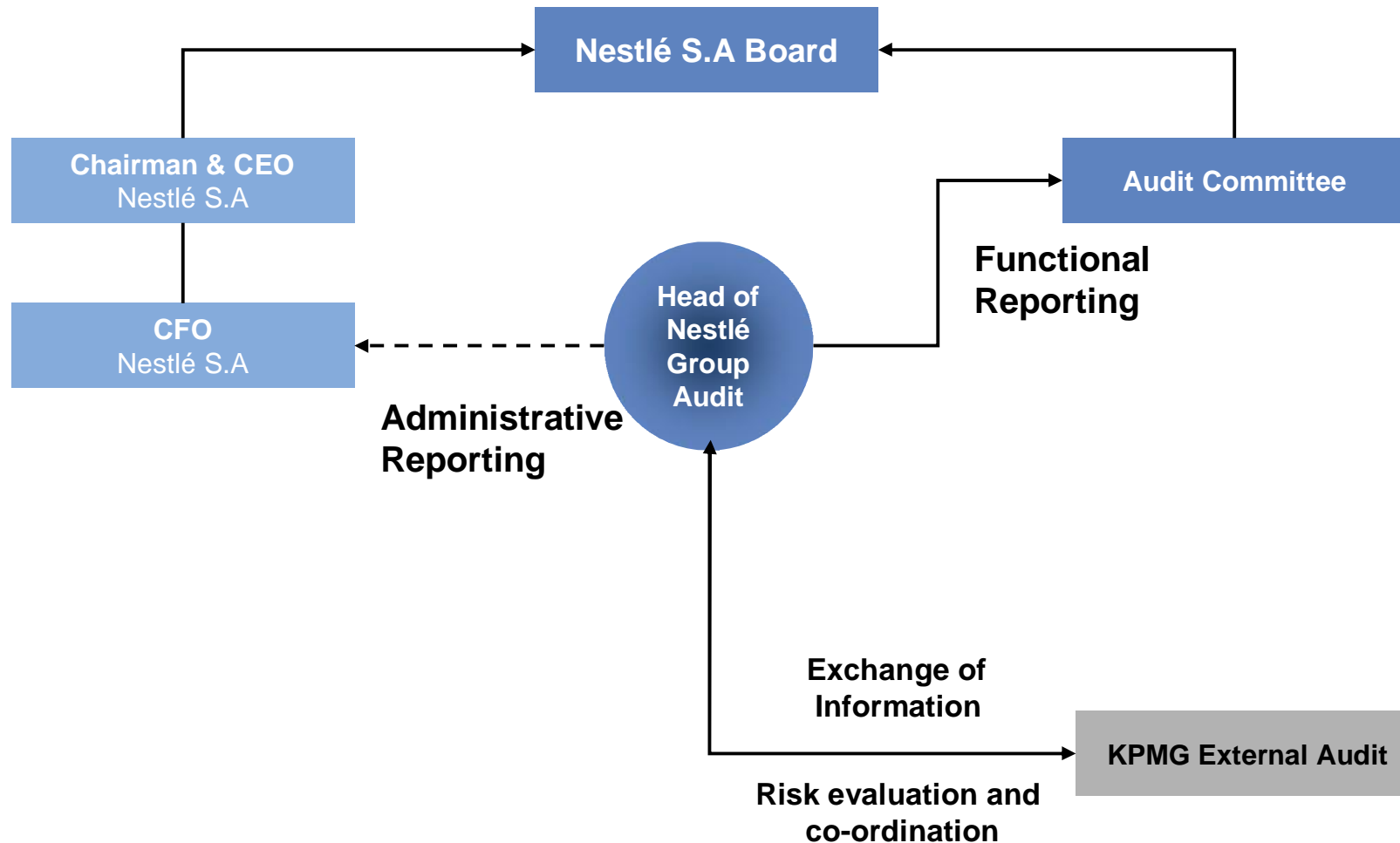
NGA – In the Business of Ensuring Compliance

Our goal is to provide value adding services
to the Nestle Group by:

TIME/RESOURCES SPENT

- Minimizing reputational risks by ensuring compliance → 50%
- Minimizing fraud by ensuring internal control → 30%
- Maximizing effective use of company resources by ensuring operational efficiencies → 20%

NGA – Reporting Structure ensures full Independence



Audit Committee Charter ensures compliance

- The Audit Committee (AC) responsibilities:
 - accounting and financial reporting
 - internal and external audit
 - risk management
- Members have to have relevant financial experience and/or be familiar with accounting & audit
- AC meets three times a year
- Head of Audit meets AC Chairman 6 times a year
- AC meets with external auditors without presence of Nestlé management
- AC receive Executive Summary of each Audit Report
- Free access to Chairman of AC
- Annual self-evaluation of the AC performance

Nestlé Group Audit - Highlights

- Since 1954
- 250 Internal Auditors worldwide
 - 60 Centre based Auditors
 - 190 Market based Auditors
- High level of independence
- Full support and backing of Senior Management
- Group of high performance individuals being developed as high potential future business leaders

Key Group Audit initiatives driving compliance

- Roll out of Compliance & Internal Control Self Assessment Tool
- Reports providing Management and Audit Committee with underlying trends in compliance, internal control and operational efficiency
- Extensive use of GLOBE system (SAP) to drive compliance throughout the Group

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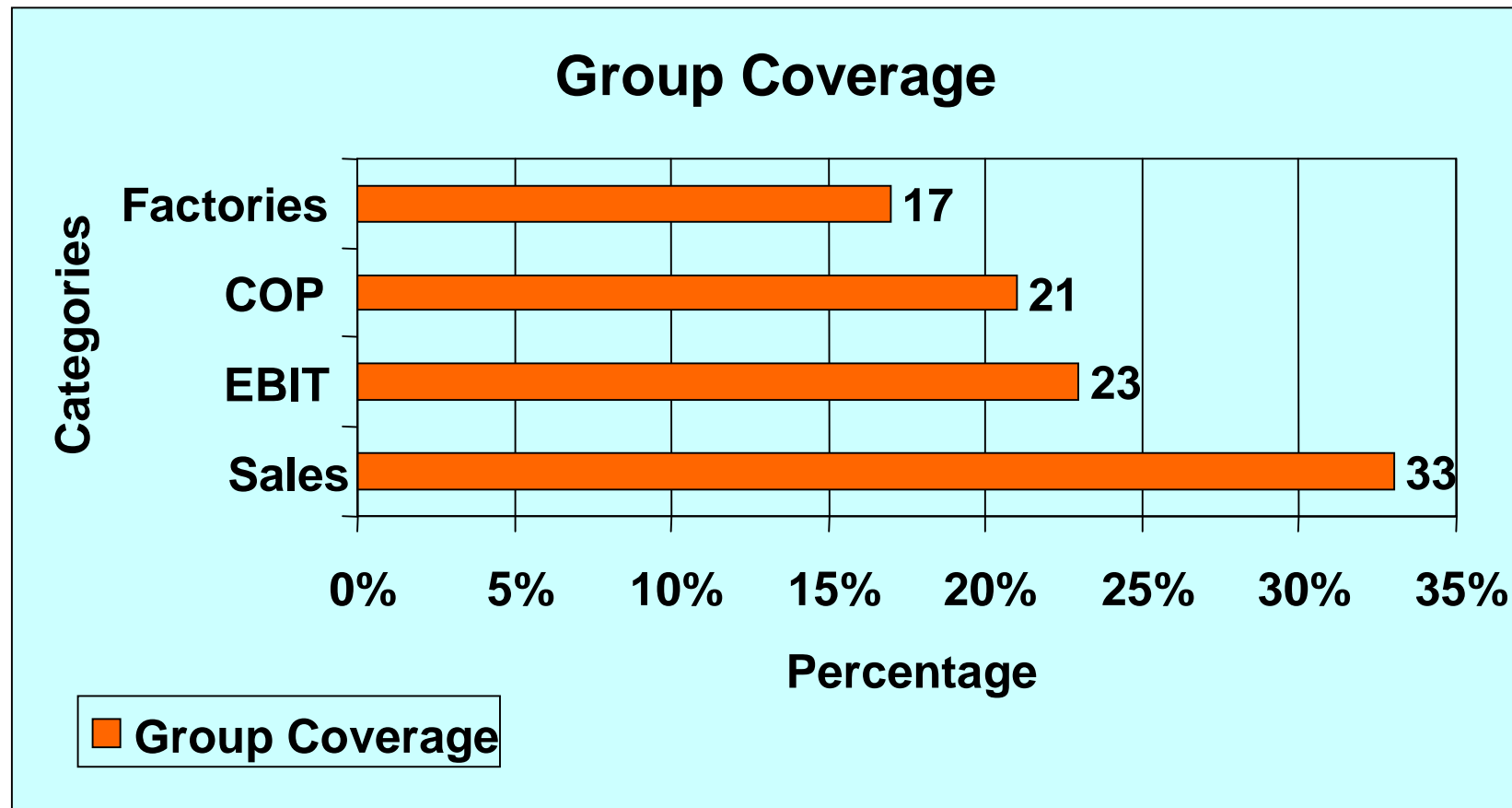
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Risk based annual Audit Plan

- **Independent quantitative and qualitative risk assessment**
 - Head Office: EBITA, COGS, Trade & Marketing expense evolution, last audit date, audit rating and weighted by sales
 - Factory: Total cost per ton, Investments cost per ton, total maintenance cost, first time quality evolution, last audit date, audit rating, weighted by total cost of production and lost time injury frequency
- **Units / processes are grouped in low, medium and high risk**
- **Extensive review with Senior Management at the Centre & Markets**
- **Review & Approval by Audit Committee.**
- **Quarterly update depending on Group risk evolution**

Audit Coverage 2007



Full fledged audit scope

- **All units / businesses / functions:**
(incl. Quality Assurance, Technical, Manufacturing, HR, Marketing & Sales)
- **All Nestlé internal guidelines:**
Corporate Business Principles, Nestlé Leadership & Management Principles, HR Policy, Nestlé Quality system, Policy on Environment, Environment management system, Health & Safety Policy, Good Manufacturing Practises, Nestlé Accounting Standards, Principles of Purchasing, Consumer Communication Principles, Nutrition policy
- **Local and regional legislation:**
WHO Code, Competition law, Food Health & Safety laws, Environmental laws
- **Executive Compensation**
- **Special audits:**
fraud risk assessment, IS/IT audits

Follow up Process

- Time frame: 3-6 months
- On time follow up: 86%
- Monitored closely by Audit Committee

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Nestlé takes compliance seriously to drive shared value

- Nestlé Group Audit (NGA) has full independence, full management support, extensive resources and operates since 1954
- Audit Scope covers all units / businesses / processes / functions as well as guidelines & legislations
- NGA in the Business of ensuring compliance & creating shared value
 - even minor compliance deviations are highlighted
 - management takes prompt corrective action

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