



Business Strategy and Creating Shared Value United Nations Global Compact - Nestlé S.A. Panel Discussion

Launch of the 2007 Nestlé Creating Shared Value Report

Date: March 3, 2008

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Mr Peter Brabeck-Letmathe

Ladies and Gentlemen, thank you for joining us today to discuss Creating Shared Value. And thank you as well to Georg Kell and the UN Global Compact for co-hosting this event.

(Slide 1) Disclaimer

(Slide 2) The Global Compact Principles have been a part of our own Nestlé Business Principles almost from the start of the Compact; and at last year's Global Compact Leaders' Summit, we were pleased to partner with the Compact in launching the CEO Water Mandate. To me, water is the critical area which will affect us in the near future and which can dramatically impact life on our planet.

To understand Nestlé's commitments in this whole area, you have to understand our roots.

(Slide 3) Here is our home office in Vevey, Switzerland. Our headquarters building, is named "En Bergère" – in the orchard. We work and live on the shores of Lake Geneva, surrounded by a region of vineyards and fruit trees which was designated a UNESCO World Heritage Site in 2007 for its beauty and pristine environmental state.

(Slide 4) You may also know that at Davos last month, it was announced that Switzerland has been rated as the number one country in the world for environmental protection. Someone once said that Switzerland resembles more a national park than it does a country. This is nothing new. The vineyards that surround us were planted by monks in the 1300's, and produce wine to this day. Our first Nestle water treatment facilities were created over 70 years ago, before the word environmentalism even existed. I think you can understand why we as a company and Switzerland as a country have a deep tie to nature - to the land and to water. So you see, the environmental standards reflected in this picture are the environmental standards that are a part of our company DNA.

One of our key principles is that we have the same environmental standards around the world as we have in Switzerland.

(Slide 5) This picture could be in Switzerland, but it's not - it's in Ghana - a water treatment facility next to one of our factories there. We have about 500 factories around the world, about half in developing countries, and they are all expected to operate at Swiss environmental standards.

When you take a factory designed to Swiss specifications, and place it in rural areas of India, China, or Brazil, unexpected things happen. We were told, for instance, by the Development Minister of the Punjab, that she takes groups of hospital administrators through our factory there, so that hospital administrators can understand what a hospital should look like.

We want to keep the water around our factories in Ghana and India as pure as it is in Switzerland, because it is what feeds the crops that become raw materials we need for our products. And we want the farmers not to pollute for the same reason, so we teach them how to stop water pollution, use less pesticides, and preserve the land.

At Nestlé we call this “Creating Shared Value”. That is, in order to create sustained value for our shareholders, we have to create value for society. It only makes good business sense.

(Slide 6) Naturally, compliance with national and international norms in environmental and social behaviour is a basic prerequisite. We have made major reductions in greenhouse gases, emissions, and water usage. In 2007, Nestlé reduced its direct greenhouse gas emissions by 16% compared to ten years ago, and overall water withdrawal by 28%, while at the same increasing our total volume of goods by 76%.

(Slide 7) But above and beyond this basic threshold of compliance, Creating Shared Value is the unique role of business in society. What does Creating Shared Value mean for a company like Nestlé? We create shared value primarily through capacity building and especially to people in rural areas.

For instance, today we provide free technical assistance to approximately 600,000 farmers globally, including 25 million dollars in micro-credits. Over the last 80 years, we have reached tens of millions of farmers in this way, helping them to climb out of poverty.

(Slide 8) A new program in this area is a joint project with UNDP in Pakistan, training 4000 women to be livestock advisors to hundreds of thousands of women in Pakistan. The women are taught both how to produce more and better milk, and how to protect the water from contamination by the animals.

(Slide 9) Creating Shared Value also means training poor women to be successful door to door distributors with pushcarts in Brazil, so that we can reach customers who don't shop at supermarkets, and the women can escape poverty by creating their own business. Here we see one of 4000 women in Brazil, who have been trained to distribute healthy foods like yoghurt and vitamin-fortified milk, door to door in the poor favelas. The women gain a good income, we increase our sales, and the consumers at the bottom of the pyramid receive more nutritional products.

Creating Shared Value means training teachers to instruct our children about protecting water.

(Slide 10) Here we see children in Project WET – Water Education for Teachers -, a globally supported Nestlé Waters Program which reaches several million children in over 20 countries.

Creating Shared Value also means increasing the nutrition knowledge of our consumers, so that they eat better diets and appreciate more the nutritional value of our products.

(Slide 11) Here we see the Nestlé Nigeria Duchess Club, which reaches 100,000 women, teaching them how to eat better and make their food dollars go further. The Maggi cube the ladies in this picture are using, by the way, is iodine fortified and is the number one consumed food product in West Africa.

These are just a few examples which illustrate what we are trying to do around the world in Creating Shared Value, and which are described in more quantitative terms in our Report.

Do we do all these things for a business reason? Yes.

Are we doing it in a way that brings poor people out of poverty, creates a sustainable environment, and brings about better nutrition? Yes.

And what makes them sustainable is that they aren't done with charity contributions, or grants, which always have an end point. They are a part of a business process which can be sustained for decades without outside support.

Nestle of course, has gone from being a little company in Switzerland to the world's largest nutrition, health and wellness company. This past year we had record results, with over 100 billion Swiss Francs in sales, bigger than our next 2 competitors combined, and increasing profitability. A recent poll found Nestle to be the most admired non-US company in the world, in any industry. So we have a lot to live up to.

While I believe that we have made progress, there is still much to be done.

Looking to the future, we will continue to sharpen our focus as we move forward and concentrate on those areas where we are best equipped to bring value to society and value to our shareholders. As a part of this, I have agreed to serve as chairman of the World Economic Forum's Initiative on Water.

We also will be able to report more quantitatively on what we are doing, with the completion of our Globe system, which for the first time creates a global business information platform for the company. As we have been a very decentralized company, our ability to report on Creating Shared Value on a global basis has been hampered, but that situation is being rectified by Globe, one of the largest business information platforms in existence. Globe will allow us to progressively provide more information for better management and external reporting.

So while I hope that we are on the right path, there are many challenges facing us, and as I continue as Nestlé Chairman, my interest in this area will, if anything increase, as I turn operation of the company on a daily basis over to my successor, Paul Bulcke.

(Slide 11) But whoever is CEO and whoever is Chairman, this is a company that since 1866 has been close to its roots, and guided by a set of Business Principles that adapt to change, but reflect the same fundamental values that existed over 140 years ago. These remain the core of our strategy as we move into the future decades of our company in creating value both for our shareholders and for society.

Thank you again for your attention, and I look forward to the discussion.

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