

Creating Shared Value: Sustainable Operations



José Lopez
Executive Vice President Operations
Nestlé SA

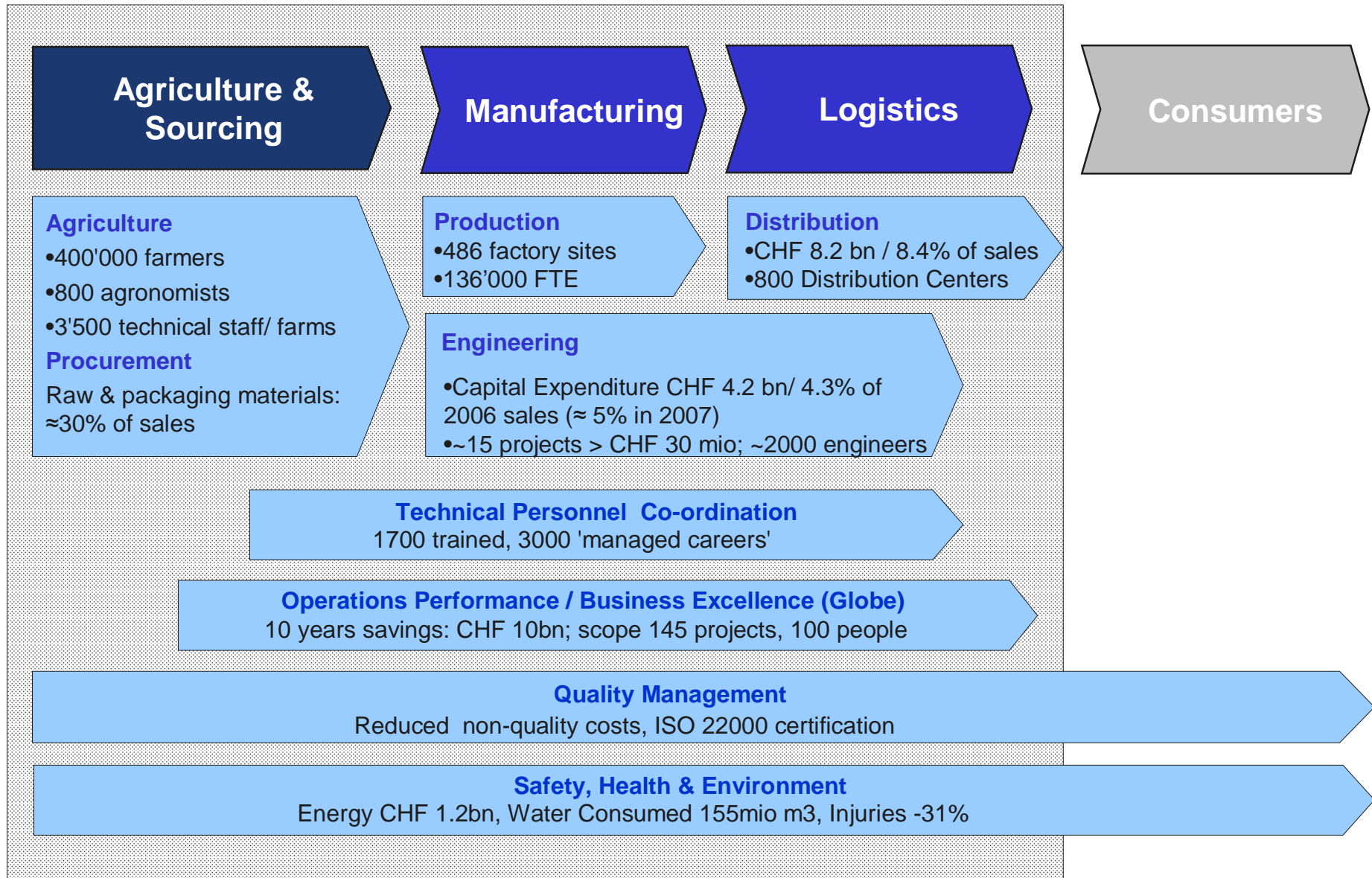
This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks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

1. Operations framework
2. Creating shared value along the value chain
 - Environmental practices
 - Health and Safety
 - Workforce development
3. Roadmap for the future

1. Operations framework: Ensuring supply that is economically, environmentally and socially sustainable



- **Sustainable operations (supply chain, production)**
 - A Nestlé tradition
 - Minimizing impact on the environment
 - Focus on employee health & safety
 - Responsible labour and community relations
 - Continuous improvement mindset
 - Initial focus on factories
 - Expansion to product lifecycle: Agriculture to packaging disposal
- **Sustainable consumption**
 - Increasing consumer interest
 - « Voting with the dollars »
 - Translating operational improvements into consumer benefits

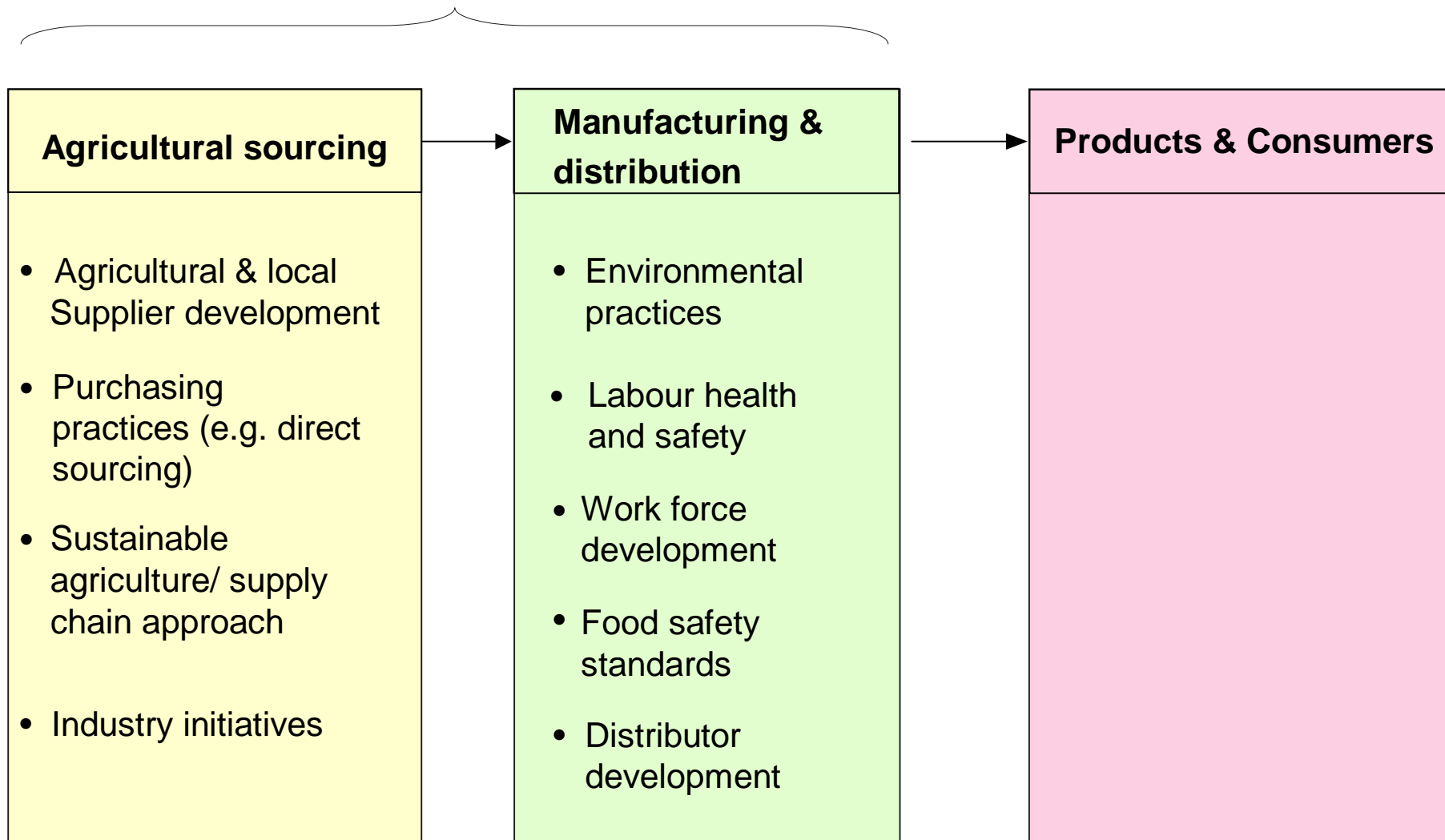


FTE = Full Time Equivalent

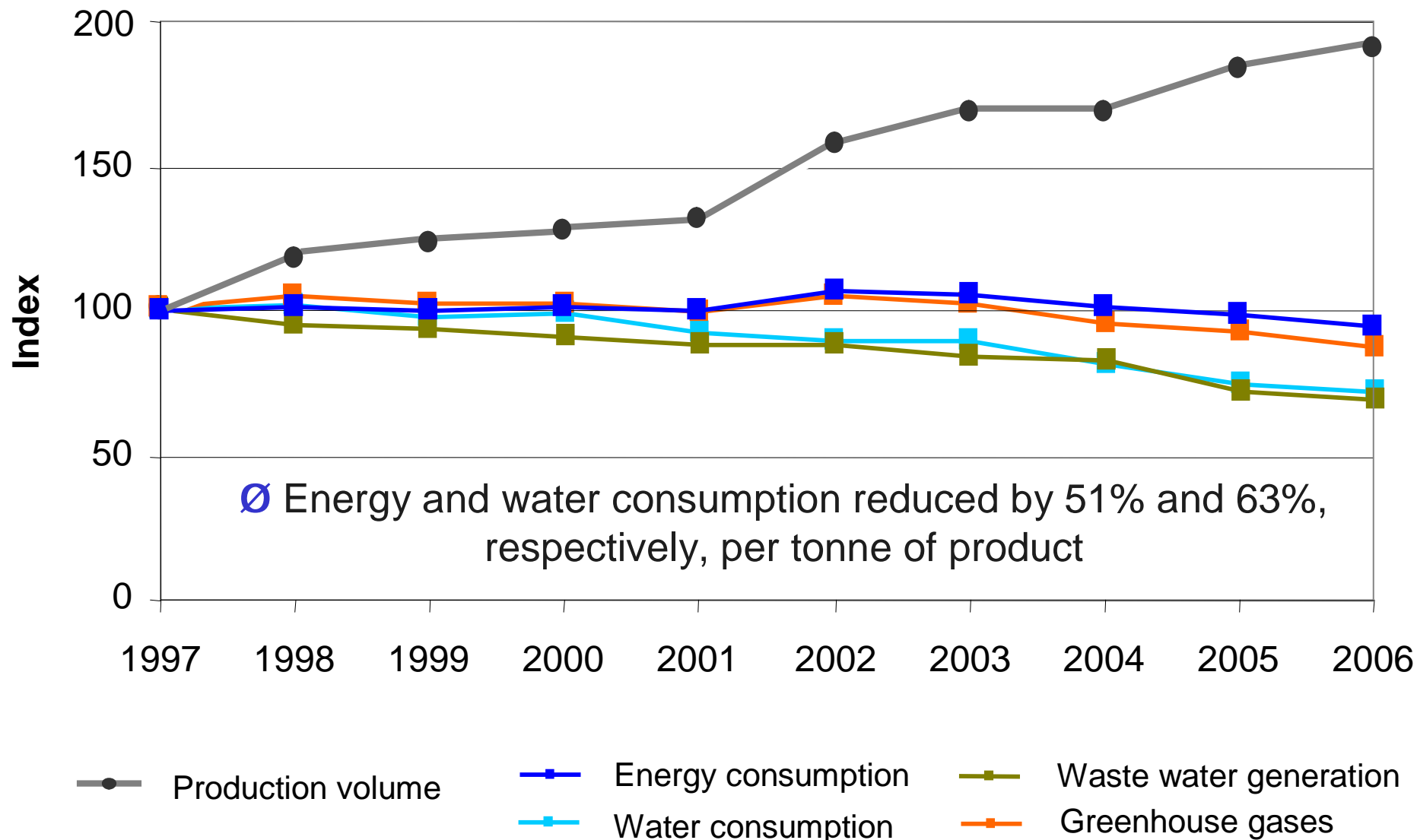
2. Creating shared value along the value chain



Sustainable Operations



2.1 Eco-efficient manufacturing helping environment and bottom line



Energy

- Absolute energy consumption down 28% (2002-2006).
- Energy consumption per tonne product reduced by 51% since 1997.
- CHF 40 million invested annually in energy efficiency.
- CO2 emissions down 31% 2002-2006.

Water

- Since 1997, production volume has doubled but water consumption is down 29% and waste water down 37%.
- 47 billion litres saved in past 5 years.
- 8 billion litres saved in past 5 years in bottled water.

Graneros factory "clean development" project:

- Air heaters and boilers converted from oil/coal to gas
- Reduction of 19'000 tonnes CO₂ annually
- Emission credits help financing clean technologies



CDM – Executive Board

UNFCCC/CCNUCC



AM0008 / Version 01

Sectoral Scope: 4

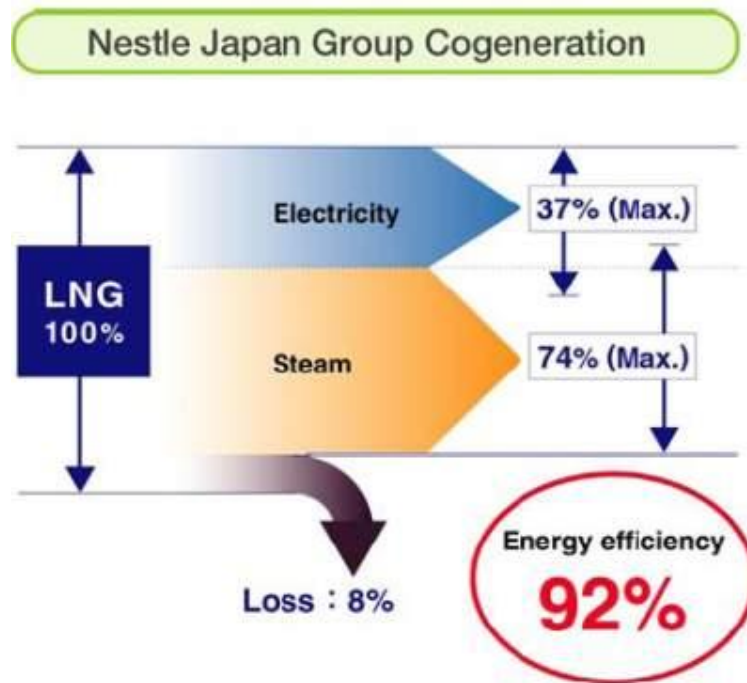
15 June 2004

Approved baseline methodology AM0008

“Industrial fuel switching from coal and petroleum fuels to natural gas without extension of capacity and lifetime of the facility”

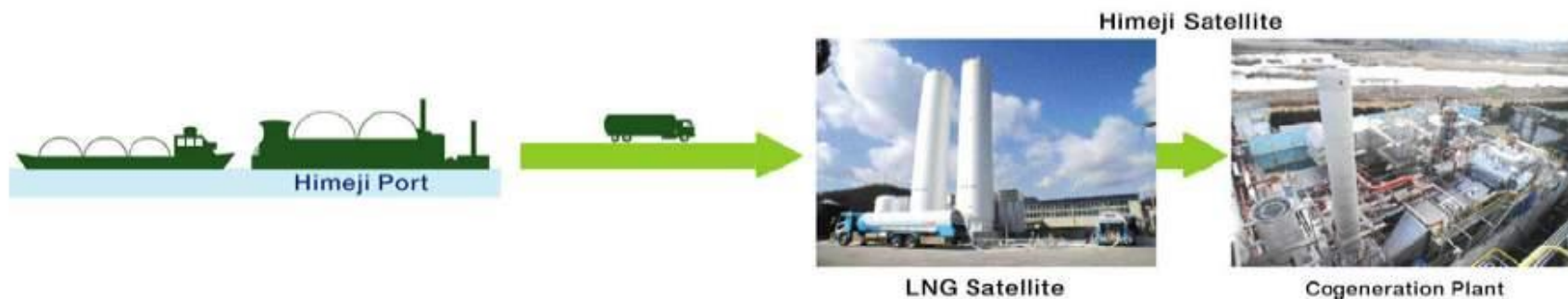
Source

This methodology is based on the Graneros Plant Fuel Switching Project in Chile whose project design document was prepared by MGM International, Inc., in August 2003. For more information regarding the proposal and its consideration by the CDM Executive Board, please refer to case NM0016-rev: “Graneros Plant Fuel Switching Project” on <http://cdm.unfccc.int/methodologies/approved>.



Installation of a revolutionary co-generation system at Nescafé factory in Japan (and subsequently at the Shimada sister factory, assisted by a government grant) resulted in:

- Fuel reduction of almost 20%,
- CO2 reduction of 70%



Nescafé factory in Philippines installed an Atmospheric Fluidized Bed Boiler **using spent coffee grounds as fuel:**



- Decreased reliance on non-renewable fuels,
- Saving of more than 4000 tonnes of oil equivalents,
- Reduction in SOx emissions by nearly 300 tonnes,
- Prevention of about 70 000 tonnes of waste

Over 20 Nestlé factories use spent coffee grounds as fuel:

- Avoiding **800 000 tonnes** per year to be landfilled.
- Reducing need for non-renewable fuels.

Pioneering climate-neutral refrigeration



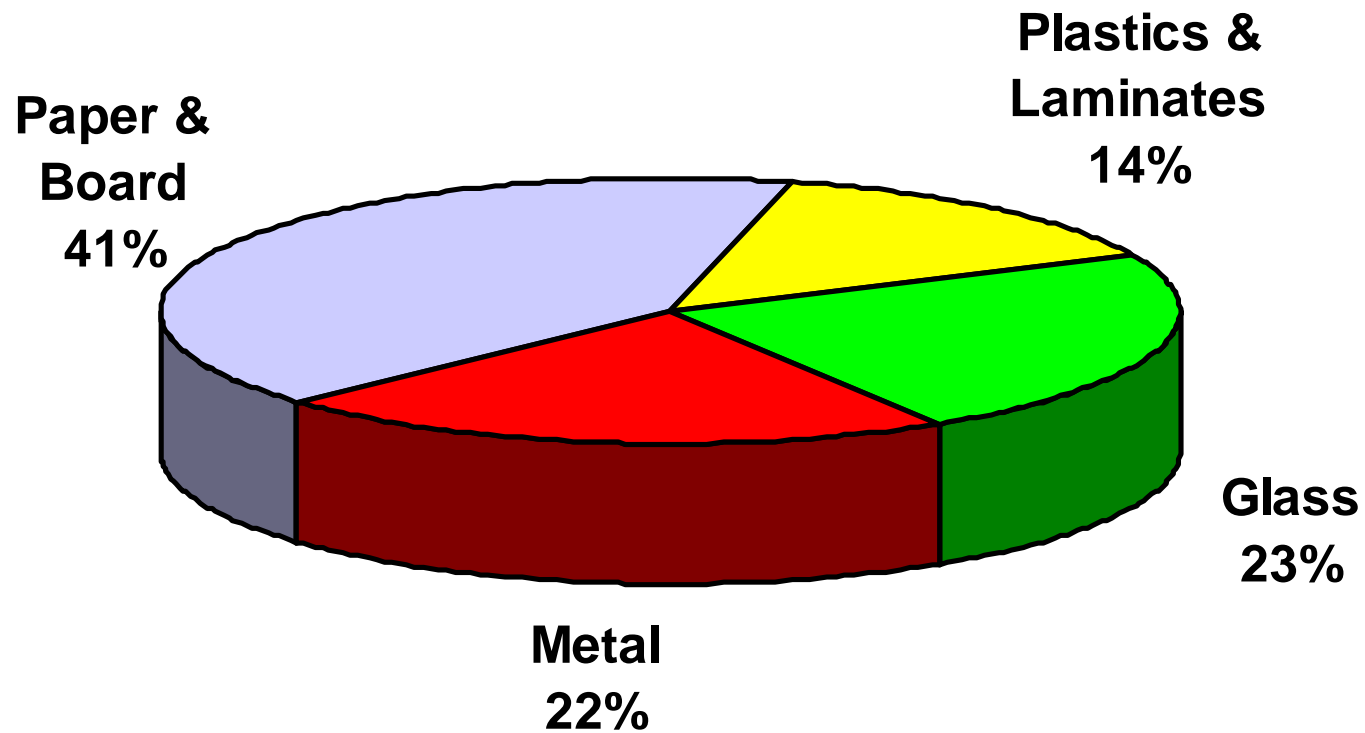
World Premiere

2 stage CO₂ prototype



Field test of 3.5 Ton delivery vans

1991 to 2006: 315'000 tonnes



- New **Eco-shape bottle** launched in North America; save approx. 29,500 tons of plastic resin in 2008.
- The **Vittel (PET) plastic bottle** in Europe now weighs around 15g less than it originally did a decade ago (in PVC).





Moving NIDO milk powder from Bag-in-Box to a stand-alone bag saved 12 tonnes of packaging and CHF420,000 per annum in Mexico.

Changing lid thickness and pull-tab design on milk cans led to 93 tonnes of packaging and CHF 296,000 saved each year.



Plantic: better than PVC

- Lower total cost
- No trade-offs in functional performance
- Lower environmental impact (from renewable resources, compostable, 50% less energy)
- Successful launch in UK (October 2005)
- Winner of a number of packaging industry awards
- Roll-out to other countries and applications



2.2 Workplace safety: A key focus area



Nestlé Safety Strategy

Owned by employees

- » Employee involvement & ownership
- » Integration with the business
- » Line Management responsibility
- » Pro-active safety observations

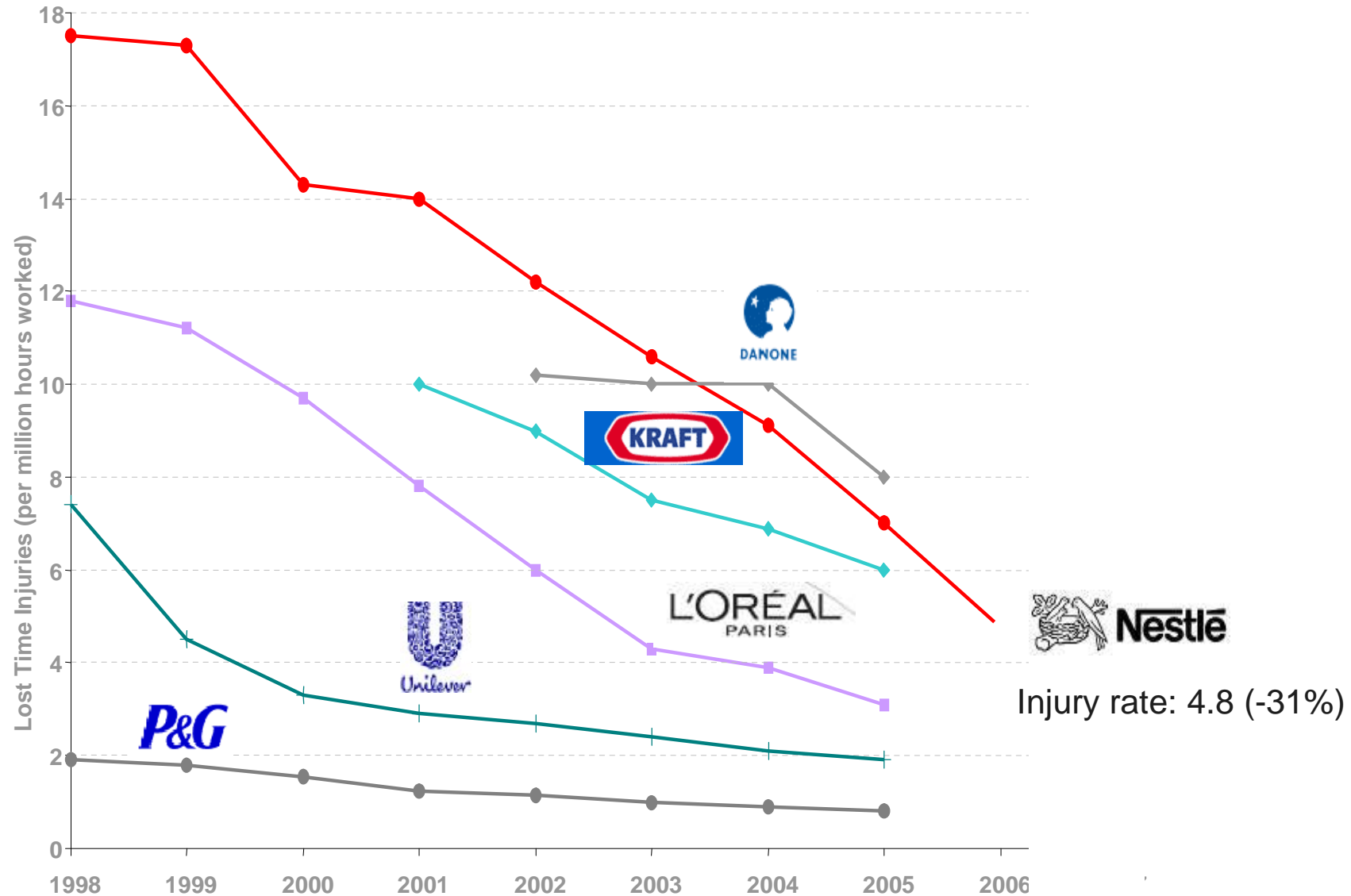
▲
Supported by proven tools
▼

- » Injury and incident investigations
- » Best practice sharing, training
- » Communication and motivation
- » Regular monitoring & feedback
- » Professional safety network

Enabled by management

- » Clear, principle-based policy
- » Visible management commitment & accountability
- » High standards, challenging goals

Workplace safety is improving



2.3 Workforce development: South Africa and Kenya



From construction
worker to
industrial services
team leader



From laboratory
analyst to
Regulatory
Affairs



Adult Based
Education
Program in South
Africa

- **2/3 of Nestlé employees receive formal training every year**
- **Average years of service at retirement: 27 years**

Continuous improvement has delivered results



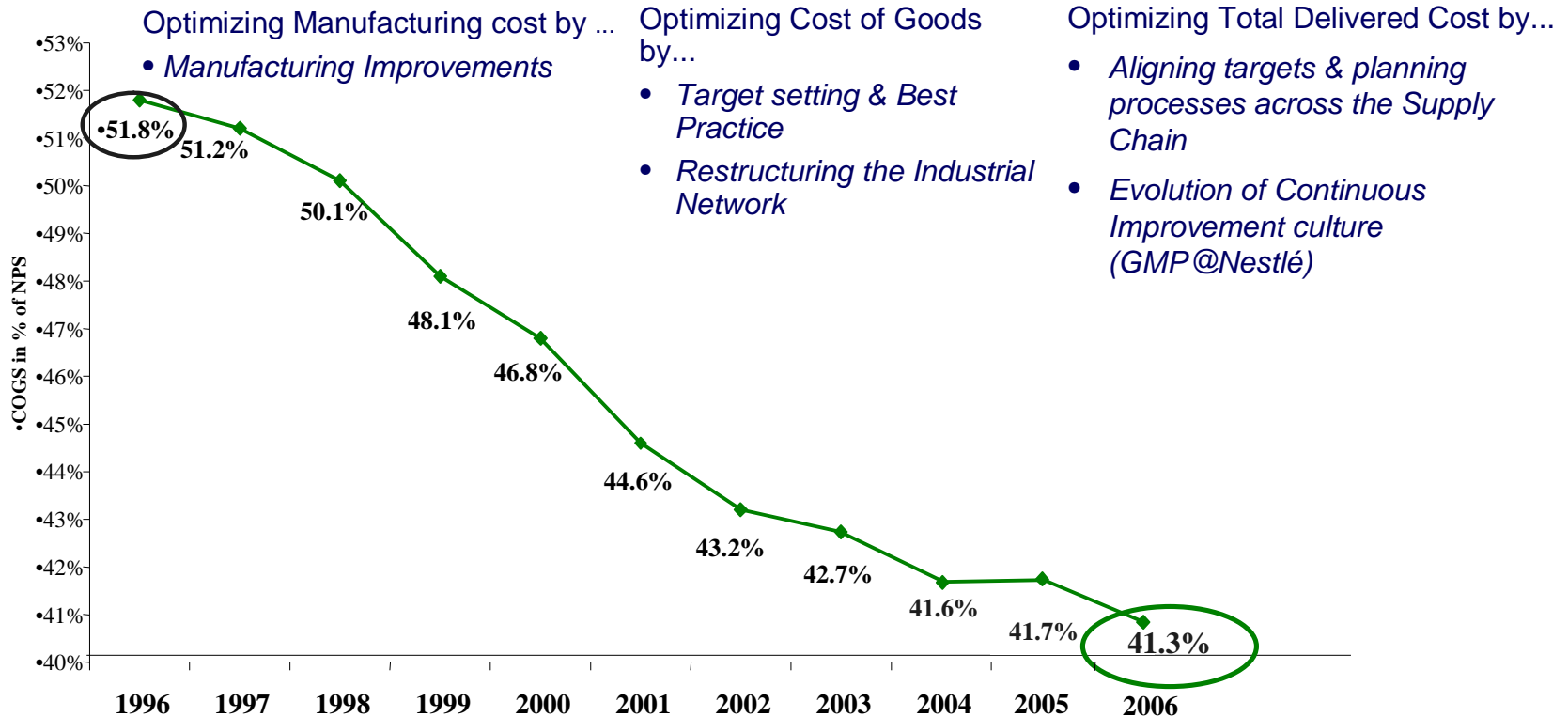
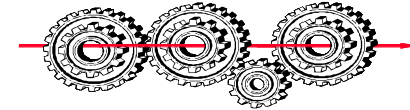
MH'97



Target 2004+



Operation EXCELLENCE 2007



Continuous Improvement has delivered significant savings of cumulative CHF 10 bn

3. Roadmap for the future



... creating "further value" and adding it to what we have done in the past ...

- Alignment of Procurement, Supply Chain and Manufacturing to create a single focus on *Supporting Business Performance*
- A focus on quality and consumer preference throughout *Ensuring Supply*
- Drive discipline in execution to sustain compliance across the entire value chain

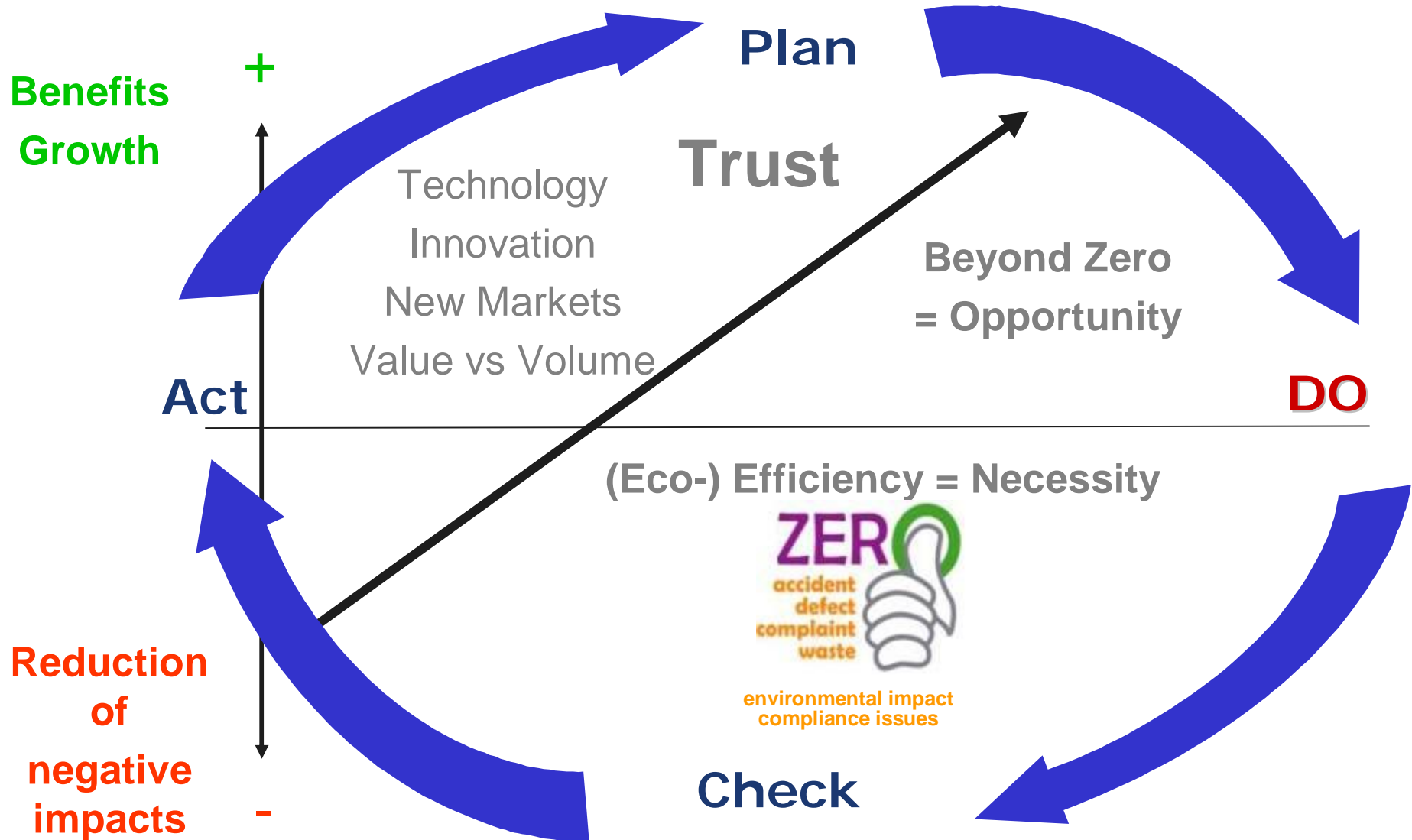
Be more Competitive

Delight our Consumers

Excel in Compliance

... with a sense of conviction, cohesion and striving for completion ...

Engaging people is critical to sustaining performance improvement



Sustainable Operations

1. Ensures sustainable supply
2. Optimizes environmental performance
3. Drives financial efficiencies

Creates shared value for our suppliers, employees, customers, consumers, communities we are operating in and our shareholders!

Creating Shared Value: Sustainable Operations



José Lopez
Executive Vice President Operations
Nestlé SA