

The Nestlé Human Resources Policy

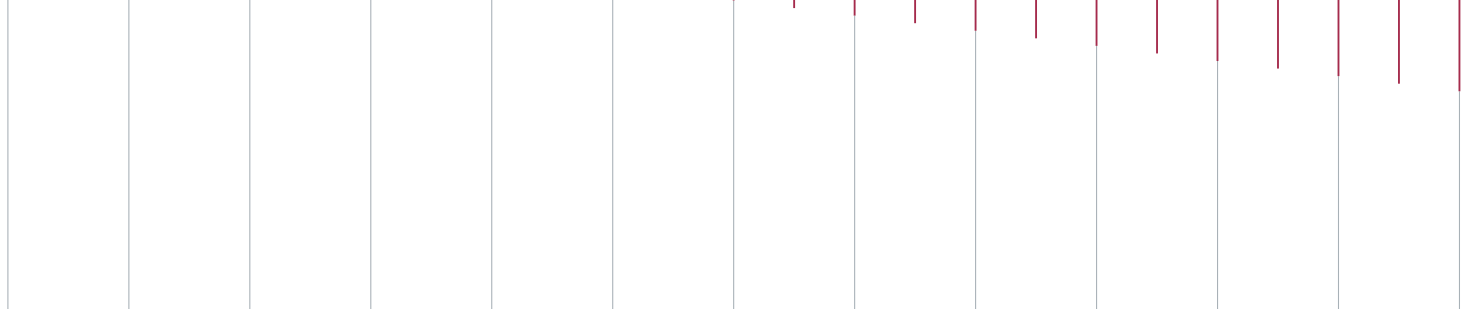


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The Nestlé

Human Resources Policy



This policy encompasses those guidelines which constitute a sound basis for efficient and effective HR Management in the Nestlé Group around the world.

They are in essence flexible and dynamic and may require adjustment to a variety of circumstances. Therefore its implementation will be inspired by sound judgement, compliance with local market laws and common sense, taking into account the specific context. Its spirit should be respected under all circumstances.

As Nestlé is operating on a worldwide basis, it is essential that local legislation and practices be respected everywhere. Also to be considered is the degree of development of each market and its capacity to advance in the management of their human resources.

Should any HR policy conflict with local legislation, local legislation will prevail.

These policies are addressed to all those who have a responsibility in managing people as well as to HR professionals. The *Nestlé Management and Leadership Principles* include the guidelines inspiring all the Nestlé employees in their action and in their dealings with others. The *Corporate Business Principles* refer to all the basic principles which Nestlé endorses and subscribes to on a worldwide basis. Both these documents are the pillars on which the present policy has been built.



P. Brabeck-Letmathe
Chief Executive Officer

A shared Responsibility

Each employee has a distinct responsibility in dealing with people be it as a leader of a team or as a peer.

HR managers and their staff are there to provide professional support in handling people matters but should not substitute themselves to the responsible manager. Their prime responsibility is to contribute actively to the quality of HR management throughout the organisation by proposing adequate policies, ensuring their consistent application and coherent implementation with fairness.

Acting as business partners, the HR manager advises and offers solutions which results in positive impact on the organisation's effectiveness.

Furthermore, she/he proposes best practices and provides state-of-the-art support and counselling to her/his colleagues. Together they act as co-responsible partners for all HR matters.

This partnership is the key for efficiency in people management.

The communication skills of the HR staff must be appropriate to deal with all delicate matters as they occur frequently in human relations issues. They gain their credibility not only from their professional contribution but also through the care and the excellence of their communication skills.

Dealing with People

The *Nestlé Management and Leadership Principles* describe the management style and the corporate values of the Nestlé Group, specifically in the area of interpersonal relations. Their respect calls for specific attitudes which deserve to be outlined in the present policy:

– A prerequisite for dealing with people is respect and trust. There can be no room for intolerance, harassment or discrimination of any kind as they are the expression of an elementary lack of respect. This principle suffers no exception and is to be applied at all levels and under all circumstances.

– Transparency and honesty in dealing with people are a *sine qua non* for efficient communication. Based on facts and on a sincere dialogue, such transparency is the only solid basis for boosting continuous improvement.

– This is to be complemented by open communication with the purpose of sharing competencies and boosting creativity. It is particularly relevant in a flat organisation to convey systematically all information to those who need it to do their work properly. Otherwise no effective delegation or knowledge improvement are possible.

– To communicate is not only to inform. It is also to listen and to engage in dialogue. Every employee has the right to an open conversation with superiors or colleagues.

– The willingness to cooperate and to help others is a required basis for assessing potential candidates in view of a promotion.

– In case of discord between an employee and her/his superior or another employee, the possibility must be offered for a fair hearing. The HR staff will provide assistance to ensure that the disharmony is dealt with impartially and that each party has the opportunity to explain her/his viewpoint regardless of hierarchical position.

Joining Nestlé

The long-term success of the Company depends on its capacity to attract, retain and develop employees able to ensure its growth on a continuing basis. This is a primary responsibility for all managers.

The Nestlé policy is to hire staff with personal attitudes and professional skills enabling them to develop a long-term relationship with the Company.

Therefore the potential
for professional development
is an essential standard
for recruitment.

Each new member joining Nestlé is to become a participant in developing a sustainable quality culture which implies a commitment to the organisation, a sense for continuous improvement and leaves no place for complacency.

Therefore, and in view of the importance of these Nestlé values, special attention will be paid to the matching between a candidate's values and the Company culture.

Hence, a clear communication of these principles and values from the very beginning of the recruitment process is required.

Those who are not willing to adhere to the *Corporate Business Principles* and/or to the *Nestlé Management and Leadership Principles* cannot be part of the Company, as both these documents express the basic values and principles of the Organisation.

Moreover, for managerial positions specific leadership qualities and business acumen will be required.

Nestlé wishes to maintain and develop its reputation as an employer of high repute. Contacts with universities, attendance at recruitment events and other contacts are to be undertaken so as to ensure good visibility of the Company vis-à-vis relevant recruitment sources. Particular care will be given to the treatment of each candidacy regardless of the outcome of the selection process.

Even when promoting employees intensively from within the organisation, it is the role of management and HR to keep an eye on valuable candidates from outside and to benchmark internal skills with external offers.

Whilst adequate recruitment tools may improve the hiring process, it is understood that the decision to hire a candidate remains in the hands of the responsible manager supported by the HR staff. Under no circumstances should the decision to hire or not to hire be left in the hands of an outside consultant or expert.

As mentioned in the *Nestlé Management and Leadership Principles*, only relevant skills and experience and the adherence to the above principles will be considered in employing a person. No consideration will be given to a candidate's origin, nationality, religion, race, gender or age.

It is as important to hire the right person as it is to integrate newcomers in the organisation so that their skills and behaviour can merge smoothly with the company culture. Whereas from new employees it is expected to respect our company's culture, it is accordingly required from all employees to show an open mind towards new ideas and proposals coming from outside.

Employment at Nestlé

The *Corporate Business Principles* outline the Company's commitment to fully endorse and to respect a series of principles and international conventions concerning employee's rights, the protection of children against child labour and other important issues. These principles are to be respected everywhere and under all circumstances. The management will implement the necessary processes to ensure that these principles are enforced at all levels.

Employees who are not abiding with the *Corporate Business Principles* and the *Nestlé Management and Leadership Principles* cannot be maintained in employment and will be requested to leave the organisation.

Also our main suppliers and providers of outsourced services should be informed of the *Corporate Business Principles* and should comply with those.

Nestlé provides a working environment which protects the health and welfare of the employees according to the highest affordable standards of safety, hygiene and security. Each employee should not only care for her/his own safety but also that of her/his colleagues. Therefore, suggestions for improvement are welcome and will be given prime consideration.

In the same way that no discrimination for reason of origin, nationality, religion, race, gender or age will be tolerated when joining Nestlé, no such discrimination will be tolerated towards Nestlé's employees.

Furthermore, any form of harassment, moral or sexual, will not only be prohibited but actively tracked and eliminated. Internal rules and regulations will explicitly deal with discrimination and harassment issues so as to obtain the best possible prevention.

Nestlé considers that it is not enough to avoid discrimination or harassment. It is essential to build a relationship based on trust and respect of employees at all levels. Therefore, it is indispensable for each manager to know how her/his employees feel in their work. In larger units it may be necessary to organise such feedback on a regular basis, using internal surveys or other valuable approaches.

Nestlé favours a policy of long-term employment. Whenever, an operation/activity cannot be maintained within the Nestlé sphere, reasonable steps will be undertaken to avoid overall loss of employment by identifying an external business willing to take over activity from Nestlé, whenever this is possible.

If this is not possible, a closing down may be unavoidable. It will be handled in full respect of local legislation and of the *Corporate Business Principles*. A social plan will be elaborated taking into account the legitimate interests of the concerned staff. Reasonable efforts will be deployed to reduce, as much as possible, the negative social impact of such a situation.

Work/Life Balance

At Nestlé we believe that the employee's private and professional life should have a good balance.

Not only because it reinforces employee's satisfaction, loyalty and enhances productivity but also because it positively reflects on the Company's reputation. It helps attracting and retaining people and reconciles economical imperatives with well being.

Nestlé is willing to support employees who wish to take an active part in the life of the community or by assuming responsibilities in professional, civic, cultural, religious or voluntary organisations it being understood that any activity during working hours be first approved by the Company.

In the same spirit, Nestlé encourages flexible working conditions whenever possible and encourages its employees to have interests and motivations outside work.

Remuneration

Nestlé favours competitive, stimulating and fair remuneration structures offering an overall competitive and attractive compensation package. Remuneration includes salary, any variable part of remuneration as well as social, pension and other benefits.

Each operating company will establish a compensation practice taking into account relevant external compensation levels as well as the requirement of internal fairness. It is recommended to undertake regular surveys so as to gather relevant information on the remuneration levels practised at a local or national level.

Nestlé's policy is to strive to position itself as an employer offering remuneration levels above the average of the relevant benchmark. Nestlé reviews regularly its competitive position with other companies so as to keep in line with the market trends. However, the evolution of remuneration is in the first instance determined by the capacity of the Company to improve its productivity.

Wage and salary structures should be kept simple and avoid unnecessary complexity so as to provide effective compensation and reward.

Remuneration structures should specifically facilitate the implementation of flat organisational structures and be flexible so as to be able to adapt to the evolution of the market conditions. This means broad spans allowing sufficient flexibility to effectively reward high professional insight and performances as well as individual potential.

It is the responsibility of each manager to propose, within the framework of the company policy, the remuneration of her/his employees, taking into account the local market, individual performance, skills and potential for development.

It is also the responsibility of each manager, if needed with the support of HR management, to communicate properly, clearly and with sufficient transparency, the individual remuneration of each staff member taking into account her/his professional performance and her/his specific responsibilities.

The quality of communication in these matters is an essential part of the dialogue that each manager will have with her/his employees on remuneration matters.

Specifically at management level, the variable part of the remuneration may be substantial. This part will be linked to a combination of group, business and individual or team target achievements. The higher the remuneration level, the more important will become the variable part.

It should be realised that, however important remuneration is for each employee, it is not remuneration alone that will stimulate the motivation of the staff.

The HR management sees to it that the implementation of the remuneration policy is fair throughout the organisation and that its spirit is duly reflected.

Professional Development

Learning

Learning is part of the Company culture. Each employee, at all levels, is conscious of the need to upgrade continuously her/his knowledge and skills.

The willingness to learn is therefore a non-negotiable condition to be employed by Nestlé.

First and foremost, training is done on-the-job. Guiding and coaching is part of the responsibility of each manager and it is crucial to make each one progress in her/his position.

When formal training programs are organised they should be purpose oriented and designed to improve relevant skills and competencies. Therefore they are proposed in the framework of individual development programs. As a consequence, attending a program should never be considered as a reward.

Adequate training programs are developed at the level of each operating company capitalising on the availability of local, regional or global resources of the Group. It is the responsibility of HR staff to assist the management in the elaboration of training programs.

Great importance will be attached to programs enhancing the language skills of the employees.

Training programs organised at the International Training Centre Rive-Reine aim at developing and sharing best practices of the various management disciplines practised in the Group. They also strive to strengthen corporate cohesion as well as to promote networking throughout the Group.

Training programs should, as much as possible, be based on action learning and reduce ex-cathedra teaching to the strict minimum.

It is necessary to make optimal use of e-learning programs as a complement to or a substitute for formal training programs. According to needs they should be made available at shop floor level and enlarge the access to training.

It is the role of each manager to assess progress achieved as a result of training programs.

Assessing and Developing

Each employee is in charge of her/his own professional development. However, the Company endeavours to offer the opportunity to progress for those having the determination and the potential to develop their capabilities.

Such opportunities should take into account the potential of each employee and be discussed with transparency. They will be based on defined possibilities, concentrate on the next career step and not on vague promises or remote hypotheses. The Company encourages its employees to express their objectives and expectations in an open dialogue.

The objective is to retain and motivate employees by offering attractive but realistic career moves allowing them to develop their skills over a long-term period within the framework of economic reality and a changing environment.

Whereas succession plans forecast the Company needs, they will be reconciled, inasmuch as possible, with individual development plans.

HR management provides the support for implementing the necessary planning tools, having in mind the necessary flexibility to cope with unforeseen situations. However, it is understood that each manager is co-responsible for preparing the resources necessary to the development of the Company as this is also part of his accountability.

Regular counselling and guidance are the best tools for improving performance and for helping people develop their skills. It also allows to correct errors swiftly and to transform them into a positive learning experience. In an organisation with flat structures this supports better delegation. Direct personal contact should always be given preference over written communication whenever possible.

Each manager has the duty to act as a mentor for his employees.

Formal assessment should take place on a regular basis, preferably once a year. Its purpose is to provide feedback on past performance and future potential as well as on other relevant aspects concerning a staff member's work including the development of his skills and competencies. Both the positive and negative aspects of individual performance should be frankly addressed. Assessment of performance should be based on facts rather than opinions. For managerial positions, assessment will be based essentially on agreed objectives and their level of achievement.

Efficient performance management emphasising the achievement of agreed objectives is a prime responsibility for each manager. The necessary time should be dedicated to the monitoring and the follow-up of the progressive achievement of objectives during the year.

This feedback is meant to stimulate performance and should take place through an open dialogue based on mutual trust and willingness to progress. It is requested to provide written evidence of such meetings. Focus should be essentially on continuous improvement, appropriate training measures but also on shaping a stimulating working environment.

In case of serious underperformance, a termination of employment should be envisaged. Such termination should be handled with due respect of the person and should include, where appropriate, separation terms that take into account the employee's personal situation.

When assessing potential it should be kept in mind that the best indicator of talent is achievement. Therefore responsibility should be given as early as reasonable to allow people to prove themselves. Candidates for managerial positions should clearly have demonstrated their willingness and ability to apply the *Nestlé Management and Leadership Principles*.

Promotions will exclusively be based on competence, insight, performance and potential with the exclusion of any consideration for origin, race, nationality, gender, religion or age.

Flexibility is a requirement for ensuring a positive professional evolution. Staff may be requested to move to other positions. Managers, especially international staff, may be asked to move to other locations.

International experience and participation in group development initiatives such as GLOBE, SMPT and others can be acquired in all countries of the Group and are a requirement for holding high-level positions.

The development of expertise in specific areas of competence is determinant for the Company's success. Therefore job rotation should be practised with caution. Whilst job rotation might be useful under certain circumstances, it should not result in weakening our expertise in key areas.

Industrial Relations

Nestlé upholds the freedom of association of its employees and the effective recognition of the right to collective bargaining.

Nestlé wishes, also through its relationship with unions and other representative associations, to sustain the long-term development of the Company, both to the benefit of the employees and of the Company, by maintaining a level of competitiveness adapted to its economic environment.

Industrial relations are a clear responsibility of local management and will be handled at the appropriate level: first at site level (factories, warehouse) subsequently at regional or national level, according to local law and practices.

Nestlé will ensure that direct and frequent communication is established with its employees, both union members and non-members, as mentioned in the *Nestlé Management and Leadership Principles*.

Relations with unions will be established under strict observation of national law, local practices as well as those international recommendations to which Nestlé has adhered to on a voluntary basis as stated in the *Corporate Business Principles*.

Contacts with union delegates should create a further opportunity to provide information allowing their members and other representative associations to acquire a full understanding of the business activities and the goals of Nestlé.

In accordance with local legislation, Nestlé will refrain from any action restricting the employee's right to be or not to be affiliated to a union.

Nestlé will not engage with any union or other representative association in activities or discussions other than those relating to employment and working conditions as well as issues relating to the workplace.

Whenever negotiations take place, they will be duly prepared with the full involvement of line management and take into account both the Company's and the employees' legitimate interest. In dealings with unions, it will be ensured that management prerogatives be properly maintained.

HR Organisation

The fact that Nestlé is more people and product than systems oriented is reflected in the way HR is functioning and is organised.

Processes and systems as well as professional HR tools are there to support HR management but never to the detriment of the human dimension. The human perspective should be present at all times and under all circumstances.

The HR function should report to the manager responsible for a defined operation (Region, Market, Country, Factory) with a functional relation to the market HR according to the size of that operation.

The HR manager should not only have the skills and competencies from a purely professional standpoint but also have the charisma and the credibility to be a trustworthy partner to her/his colleagues.

Whereas the HR function should indeed provide flawless administrative support, its main role is to add value to the business and to play a proactive role in every situation where HR action is required.

Specific HR KPI's are useful in assessing the performance of an HR unit. However, it should be kept in mind that the HR contribution aims in the first place at optimising the overall company performance through improving people performance.

With the evidence that the human capital is of increasing importance, HR plays indeed a pivotal role in the conception and implementation of the people strategies that impact financial results and the organisation's overall reputation and effectiveness.

