

The Nestlé
commitment
to Africa
Report summary



Front Cover: Omowunmi Shittu, owner of this Maggi Restaurant in Lagos, Nigeria, welcomes hungry diners to her canteen, where she sells traditional fare flavoured

exclusively with Nestlé's Maggi bouillon cubes and seasonings.

Below: Demekech Wondumu, sorting coffee at a processing station in Yirga Cheffe, Ethiopia. Here, Nestlé has recently begun a programme aimed at

improving coffee farmers' incomes on a long-term sustainable basis in the broad scale coffee market. The programme is based on giving the farmer the tools to

compete successfully in the open market, rather than paying the farmer a minimum price, which will not necessarily help him to improve his technique.



Nestlé's long-term approach to Africa

Over a century of commitment and a vision of future growth and development



Nestlé Chairman and CEO Peter Brabeck-Letmathe visits Agbara High School in Nigeria, together with community health workers from the Nigerian Red Cross. As part of a range of activities to fight HIV/AIDS in Africa, Nestlé supports Red Cross education and awareness programmes in both Nigeria and Kenya.

I am pleased to provide you with this summary of the *Nestlé commitment to Africa* report.

Given the global prioritisation of Africa in 2005, we originally published *The Nestlé commitment to Africa* in March 2005 (www.africa.nestle.com), to demonstrate how long-term business commitment to Africa benefits both companies and the people of Africa.

Since that time, the UK Government's Commission for Africa has published its long-awaited report, the July G8 meeting was held in Gleneagles, Scotland, and the United Nations 2005 Summit was held in New York. They have all raised important issues which need to be addressed to create better conditions for African development.

Given Nestlé's participation in world trade, we have spoken out throughout this period on the need to remove trade barriers which penalize farmers in developing countries. We believe that removal of trade barriers for agricultural goods produced in the developed world is the single most effective way of helping Africa, as the livelihood of the overwhelming majority of the African people is tied to agriculture.

Unfortunately, the trade barrier issue remains unresolved, and Nestlé, along with many business, government, and NGO leaders, continues to advocate reform *via* the World Trade Organisation negotiations and elsewhere.

We have also highlighted the value of private sector partnerships to support the UN's goals for global development. A searchable database is available at www.community.nestle.com which describes the many Nestlé programmes around the world related to these goals.

We remain optimistic about Africa, and look forward to sharing our experience with others seeking to invest in its economy and improve the quality of life for all Africans.

Sincerely,

Peter Brabeck-Letmathe
Chairman of the Board
and Chief Executive Officer

The importance of good governance in Africa

By **Dr. Iraj Abedian**

Chief Executive, Pan-African

Advisory Services and former

Group Economist, Standard Bank



Good governance includes respect for property rights, ensuring accountability and transparency and controlling corruption and the abuse of public and private resources. In short, good governance is about ensuring quality public, private and social institutions.

The adoption of the New Partnership for Africa's Development (NEPAD) is a clear recognition that poor governance in Africa has hindered sustainable growth and broad-based socio-economic development. This has been particularly so in conflict-stricken societies where the collapse of government has taken a toll on the poor and compounded the challenges of underdevelopment.

Poor governance in Africa plays a role in the ongoing brain drain and capital flight from the continent: nearly half of Africa's most skilled human resources

“Nowadays, the link between good governance and economic development is no longer in dispute: most African governments are actively engaged in improving governance as a means to sustainable growth and socio-economic advancement.”

reside outside the continent. And over 45% of the continent's savings is invested in Europe and North America. Actual and expected political and social instability play a major role in the continued outflow of resources from Africa. Recurrent eruption of civil conflicts in Liberia, the Democratic Republic of Congo, Côte d'Ivoire, Sudan and Zimbabwe keep diverting political attention from reform to crisis management. Socio-economic development is thus hindered.

However, quantifiable growth in some countries is sending a strong message to others. Mauritius, for example, has developed a tradition of good governance underpinning its continued financial stability and impressive economic performance. Consequently, social

development has followed. Botswana and Namibia have continued to adhere to the rule of law and prudent fiscal regimes. Economic development has followed.

Tunisia, Morocco and Ghana continue the modernisation of their governance framework. South Africa, in ten short years of democratic rule, has transformed its governance institutions to underscore accountability and transparency, enhanced by a well-regulated public and private corporate governance framework on par with the best in the world. These positive experiences, promulgated by strong leaders, are raising the standard of governance across the continent.

Currently, Africa is at the turning point. Within the continent two parallel processes of governance modernisation are under way. In some countries, democratisation has given rise to a national momentum towards good governance. In such societies, private sector enterprise tends to thrive, broadening the participation within the economy. In other places, reform is taking place on a multilateral basis, with peer nations working together toward improved governance. NEPAD and its key governance pillar, the African Peer Review Mechanism, is one example.

Much remains to be done to overhaul governance institutions in parts of Africa. Yet, the continent has never had a better chance to tackle the challenges of governance as a precondition for broad-based economic development.

Long-term sustainable business practices

By **Kirsty Jenkinson**

Senior Analyst, Governance and

Socially Responsible Investment

F&C Asset Management



As an institutional investor with shareholdings in multinational corporations such as Nestlé, we believe that governance, social, environmental and ethical factors present real business risks, which must be managed effectively.

Investment in Africa provides significant opportunities for growth, but it also presents diverse operational challenges for companies. In developing countries particularly, governance, social, environmental and ethical issues can impact company performance and value. For example, in Africa today, two labour issues are having a major effect on business: the rise in HIV/AIDS infection rates in sub-Saharan Africa and significant incidences of child labour.

We believe that companies with clear policies addressing these issues – implemented effectively across their

“We believe that companies with clear policies addressing these issues – implemented effectively across their operations – will be well placed to capitalise on the continent’s enormous potential.”

operations – will be well placed to capitalise on the continent’s enormous potential.

This principle is driven by our belief that responsible behaviour is closely related to practical risk management: companies will, for example, be more likely to avoid costly legal action and restrictive regulations and therefore, be positioned better to deliver value to shareholders.

We analyse company performance through our responsible engagement overlay (*reo*®) approach. In the African context, we focus on four critical issues: (1) The responsible conduct of sales and marketing activities; (2) Labour standards in line with core International Labour Organisation (ILO) conventions extended, as far as possible, across supply chains; (3) Operating environments where corruption

undermines stability, transparency, good governance and respect for the rule of law; (4) The sustainable sourcing of raw materials in a manner that is compatible with the conservation of biodiversity.

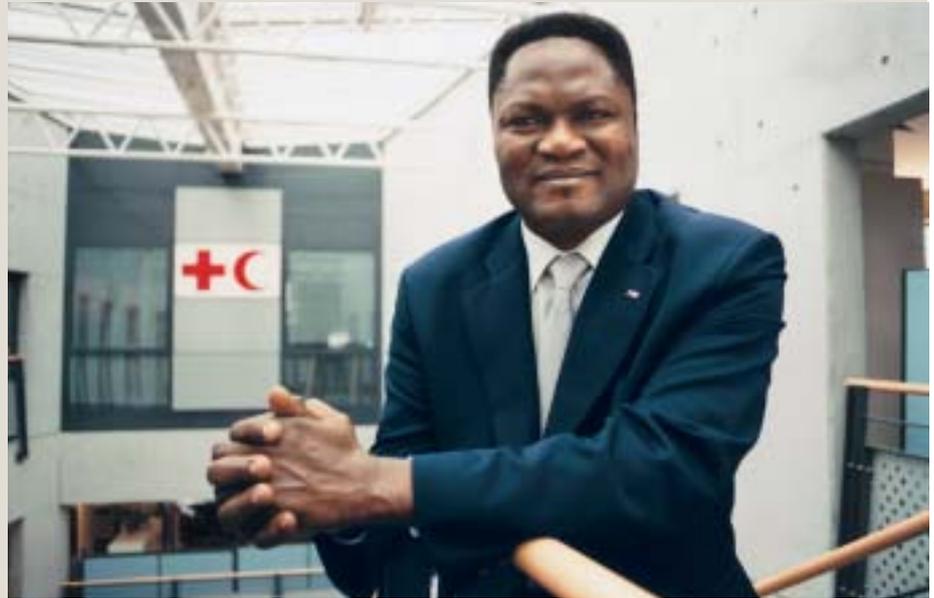
Our investment strategy encourages companies to maximise profits while acting in a responsible manner. We believe that this approach not only meets the demands of our clients but also encourages sustainable business operations. This is one of several important steps to catalysing economic growth across Africa.

F&C Asset Management is a pan-European asset manager with a long-term shareholding in Nestlé. In October 2004, ISIS Asset Management merged with F&C Asset Management, bringing their combined portfolios to approximately GBP 125 billion.

Investing in health in the new millennium

By **Mr. Richard Hunlédé**

Head of Africa Desk, International Federation of Red Cross and Red Crescent Societies



Nestlé is supporting community-based HIV/AIDS programmes in several countries. Among them is a partnership with national chapters of the *International Federation of Red Cross and Red Crescent Societies* on large-scale education programmes.

In 2004, more than 800 000 Nigerians received HIV/AIDS education as a result of a USD 2 million initiative with the Nigerian Red Cross. The initiative involves 3000 counsellors reaching youth in twelve states with a high HIV/AIDS prevalence. In addition, Red Cross is providing home care support for 7000 people with HIV/AIDS, and counselling in government health clinics.

Nestlé is supporting a similar initiative in Kenya.

Nestlé also works to set an example of leadership and partnership in the business community, through, for example, Nigeria's HIV/AIDS Private Sector Council.

“Working side-by-side, Red Cross societies and Nestlé staff trained 1300 Nigerian youth educators, who provided HIV/AIDS information to 800 000 young people, and 3000 counsellors and caregivers, to provide voluntary counselling and testing and other services to thousands of Kenyans.”



More than 800 000 young people in Nigeria learned about HIV/AIDS in 2004, thanks to a partnership between the Nigerian Red Cross and Nestlé.

Cooperation with local organisations, to address pressing social needs, is one way Nestlé adds value to the communities in which it operates.

Helping vulnerable populations: the role of business

By **Linda Merieau**

Senior Corporate Relations Officer
for the United Nations High
Commissioner for Refugees



210000 people in Eastern Ethiopia got access to clean drinking water as part of the Nestlé partnership with the Office of the United Nations High Commissioner for Refugees (UNHCR). “Before, we used to walk a long way to get water and often there were fights. Now, no more – we all benefit,” said Rukia Abdi Ahmed, a refugee in the area.

Rukia is one of 30000 who fled war at home a decade ago. She and many others have been living in Ethiopia, displaced, ever since. The Geneva-based UNHCR, established in 1951, has been helping them for ten years with food, water, health care and education.

In 2003, UNHCR and Nestlé teamed up to address the water needs of the refugees and the local communities

“Rather than just writing cheques, companies like Nestlé are becoming more involved in helping deliver on the goals of the projects themselves, with technical expertise.”

around them. Nestlé contributed more than USD 700000, along with ongoing technical expertise. The result: a multi-faceted water system consisting of rehabilitated wells, an improved pumping and purification station connected to a 22-kilometre pipeline, new water taps in adjacent villages and a new dam to capture rainfall.

“Rather than just writing cheques, companies like Nestlé are becoming more involved in helping deliver on the goals of the projects themselves, with technical expertise,” said Linda Merieau, Senior Corporate Relations Officer for the United Nations High Commissioner for Refugees.

“We need their financial contributions, but we can also profit from their expertise.”

The Nestlé Waters technical team includes a hydrogeologist and a water resources manager, who have been working with both UNHCR and the local Ethiopian water authority to design systems for managing the water supply, maintaining the pipeline and pumping station, rehabilitating old wells and testing the water. Local authorities will take over the long-term operation and maintenance of the system in the near future.

Temitayo Adejoke Konu runs a distribution business, which supplies Nestlé products to the stores in the Oke-Arm market, one of the largest markets in Lagos, Nigeria.



Economic and social impact through the value chain

The report looks at the three major stages of the business value chain (farm, factory, and the consumer) and describes the economic and social impact of Nestlé’s activities on farmers, factory workers and managers, and consumers.

Here are some examples of the value chain initiatives described in the report:

Farmers

The *Nescafé* factory in Côte d’Ivoire buys directly from farmers, and helps raise the quality and price they obtain for their coffee.

A new programme with coffee farmers in Ethiopia enrolls them in a three-year program of assistance to teach them how to raise their income level through higher quality and diversification.

The report describes a West African cassava initiative that creates farming jobs and provides higher quality cassava and greater yields.

A Nestlé programme with maize farmers in Ghana and Nigeria helped them to lower pesticide use to a point where the maize meets Nestlé’s buying standard, as well as the global standard set by the *Codex Alimentarius Commission*.

Despite difficulties with ongoing violence in West Africa, the cocoa industry is supporting programs to improve cocoa production and eliminate unacceptable child labour practices. The report provides an update on programmes undertaken collectively by the cocoa industry, national governments, UN agencies and NGOs.

Factories and employees

To develop a skilled work force, Nestlé factories provide apprenticeship programs to train workers, literacy enhancement programs, and managerial training programs.

A programme of confidential HIV/AIDS testing, counselling and treatment has been implemented in South Africa and Nigeria on a no-charge basis, and is being evaluated for further roll-out.

Between 2000 and 2003, Nestlé improved key environmental performance indicators between 20 and 57 percent in areas ranging from water consumption to CO₂ and ozone depleting emissions.

Consumers, food, and nutrition

The report reviews nutrition education programmes, such as the 5000-member Nestlé Duchess Club in Nigeria, and describes ways in which Nestlé integrates health messaging into its marketing efforts. In addition, the *Nestlé Foundation for the Study of Problems of Nutrition in the World* works on specific Africa nutrition problems, such as iron deficiency.

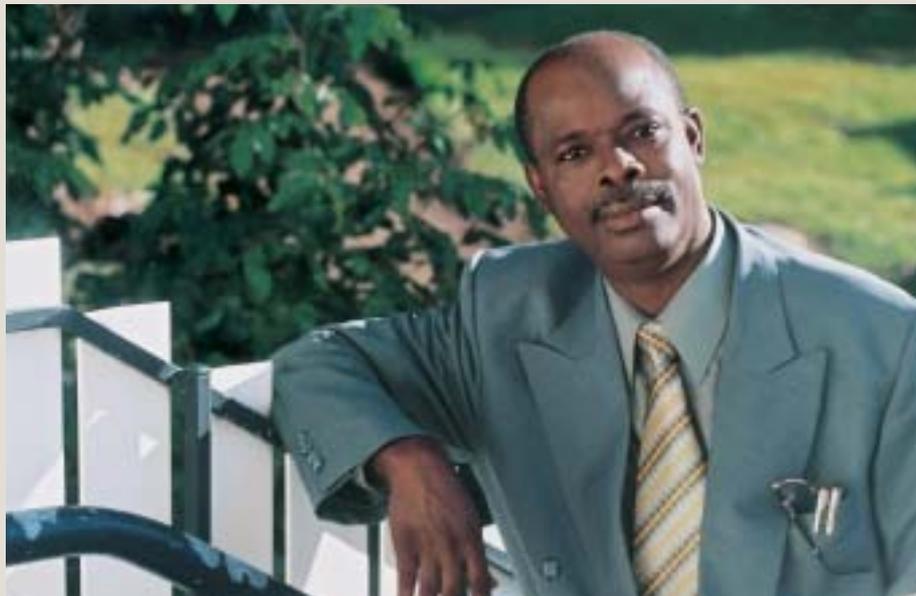
Nestlé: a positive impact all along the value chain

Agricultural raw materials	Manufacturing and management	Products and consumers
Sustainable agriculture	Technology transfer	Building nutritional value
Coffee farmers	Employee literacy	Consumer education
Cocoa farmers	Technical training	Nutrition research
Milk farmers	Market training	Responsible marketing
	Environmental stewardship	
	Local sourcing (e.g. packaging)	

Our business in Africa: Nigeria, a case study

By **Professor Doyin Soyibo**

Professor of Health Economics
and Dean of the Faculty of
Social Sciences, University
of Ibadan, Nigeria



In 2004, University of Ibadan researchers studied the socio-economic impact of Nestlé operations.

In Nigeria since 1961, Nestlé has a factory in Agbara and a distribution centre in Ota, located in the coastal state of Ogun.

Led by Doyin Soyibo, an economist and dean of the University's Faculty of Social Sciences, the team found that Nestlé employees earn more than the average in manufacturing and that their salaries increase faster than the industry norm. More than 75% said that if given the choice to change jobs, they would decline.

“Nestlé is a healthy business that supports an ever-increasing standard of living through providing varied employment opportunities and a growing concern for the interest of the community members.”

The study found that:

- Some 40% of distributors have worked with Nestlé for 21 to 35 years, while another 32% worked with the Company for 11 to 20 years.

- About 84% of natural raw materials are procured locally through farmers and other suppliers.

- Local suppliers are engines of job creation: between 2002 and 2003, most added jobs, and one company had grown by 67%.

- About 50% of Nestlé workers reside in neighbouring communities and spend more than 20% of their incomes locally on food, education, rent and clothing.

- Nestlé is one of the three “most valued” stocks on Nigeria’s stock exchange.

- Agbara and Ota residents said that Nestlé positively affects their community through:

- commitment to environmental protection (90%)
- employment generation (82%)
- infrastructure improvements (67.7%) and
- increased income (57.5%).

“Nestlé is a healthy business that supports an ever-increasing standard of living through providing varied employment opportunities and a growing concern for the interest of the community members,” Professor Soyibo concluded.

Nutrition and consumer education: coming from the top

By **Esther Nenadi Usman**

Minister of Finance and founding

member of the Nestlé Nutrition

Duchess Club, Nigeria



While the affairs of state are the top priority for Nigeria's Minister of Finance Esther Nenadi Usman, she still finds time to work in the community with other women to promote nutrition education.

Minister Usman is a member of the Nestlé Nutrition Duchess Club, a group of women devoted to promoting awareness of nutrition among other women. Just four years old, the club provided nutrition education workshops to 5000 women in Lagos State and Kaduna State during 2004, most of them mothers or homemakers. In 2003, they began providing workshops to women who sell food in open markets, focusing on

“Little by little, people are beginning to know the importance not just of a balanced meal, but also of the ingredients that help you get a balanced meal at a relatively cheap cost. Nestlé and the Duchess Club have done a lot of good.”

nutrition and food safety. In 2006, they plan to expand to Edo State.

In late 2004, the club expanded into Ghana with a seed group of 750 women, including Ghana's Minister of Women and Children Affairs, Gladys Ashma.

“What we are saying is that people could be setting their priorities better in terms of eating. We are focusing on Nigerians making good nutrition a part of

their lifestyles,” said Mrs. Iquoh Ukoh, Marketing Manager of Nestlé Nigeria and a member of the Duchess Club.

While the Duchess Club's mission is nutrition education, it has also grown to be an important networking opportunity to Nigerian professional women. Along with the Minister, its members are doctors, lawyers and professionals from a range of industries.

“Our membership has exploded so that we can't even contain all the members in one hall now,” Minister Usman said. “With Nestlé's help, we are coming to know what the problems are, and how to overcome them.”

Operating with integrity: infant food marketing

An independent audit of infant formula marketing in Mozambique, Nigeria and South Africa affirms Nestlé's responsible approach to consumer communications. The *Bureau Veritas* auditors said there were no systematic shortfalls and that there is a "consistently high level of awareness and commitment to the [World Health Organisation] Code" at Nestlé.



The *Bureau Veritas* team, including CEO Olivier Guize (centre), audited Nestlé's compliance with the WHO Code in three African countries.

Within a year of the passage of the *International Code of Marketing of Breast-milk Substitutes* by the World Health Organisation in 1981, Nestlé committed to voluntarily applying the WHO Code in the developing world, even where governments did not. In 1982, Nestlé issued concrete *Instructions to Implementation of the WHO Code*, and has since progressively refined and strengthened its *Instructions* and monitoring of its application of the WHO Code. This includes such key provisions as:

- Nestlé does not promote infant milks (infant and follow-on formula) to the public in Africa in any way, meaning that there is no advertising or communication with the public, nor free samples in Africa. (Nestlé is the only Company pledged not to market follow-on formula to the public).
- Nestlé markets cereals and other "complementary" foods in Africa only at 6 months of age and beyond (the only infant food manufacturer to make such a commitment).
- Nestlé infant food marketing personnel have no contact with mothers.
- No infant milk samples to health professionals, except a 2-tin sample of formula to be given to health professionals for examination only when a new product is launched.
- Nestlé donates infant milk to health facilities only in special social cases (death in childbirth, multiple births, etc.).
- Nestlé gives no financial incentives to health professionals to promote infant formula. Nestlé implements the Code through systems of training and internal monitoring, an internal Ombudsman system for whistleblowers and regular internal audits. These practices are guided by the *Nestlé Instructions for the Implementation of the WHO International Code of Marketing of Breast-milk Substitutes*, or in-country legislation, whichever is more stringent.

In 2004, Nestlé commissioned *Bureau Veritas*, a major global auditing company with substantial social auditing experience, to review Nestlé infant food marketing in three African countries of their choice (South Africa, Nigeria and Mozambique).

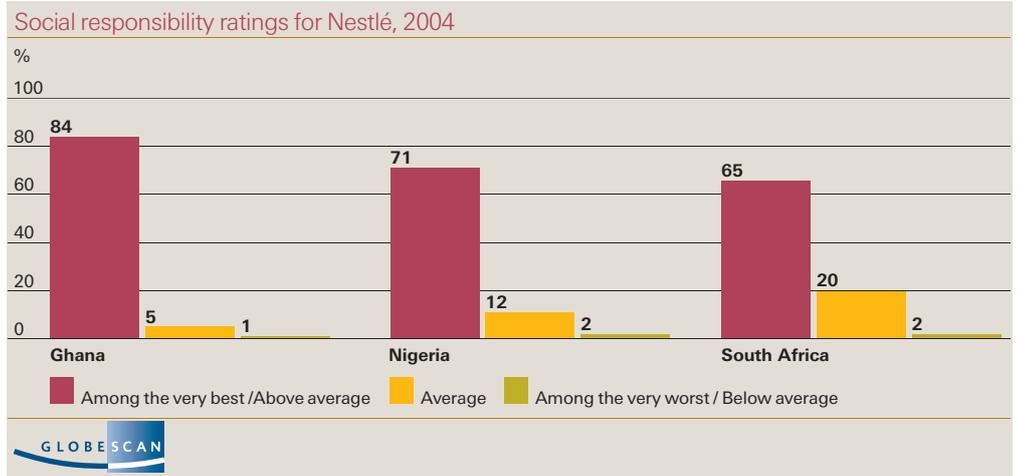
In October 2004 and February 2005, *Bureau Veritas* spent a total of five weeks auditing Nestlé practices in the three countries. The auditors interviewed Nestlé personnel in nutrition, regulatory affairs, sales, business development, training and other departments to assess levels of awareness; implementation and compliance with the *Nestlé Instructions* and in-country legislation; and internal systems, controls, policies and procedures. Externally, they interviewed mothers, health professionals and retailers.

Along with interviews, they verified information by reviewing training materials, job descriptions, budget records, audit reports, staff schedules and sales records. They also surveyed Nestlé products and posters, billboards and other advertising; educational and marketing material and products on shelf and in storerooms.

"The International Federation of Red Cross and Red Crescent Societies notes the findings of the Bureau Veritas audit, which highlights Nestlé's efforts to ensure that its infant food marketing practices in Africa are in conformity with the WHO International Code of Marketing of Breast-milk Substitutes. We are pleased that the Bureau Veritas audit corroborates the findings of a similar audit that the Federation commissioned in Nigeria in 2003."
International Federation of Red Cross and Red Crescent Societies

Consumers' views of Nestlé and corporate social responsibility

A 2004 public opinion survey by the international research firm GlobeScan showed that 73% of consumers in South Africa, Nigeria and Ghana gave Nestlé a positive or very positive rating on its social commitments, while less than 5% were negative.



Our business is based on consumer trust in the Company and the quality and safety of our products.

In the 2004 GlobeScan twenty-two-country public opinion survey, Nestlé was one of the three companies with highest scores when consumers were asked to name a company that best represents social responsibility. Scores were particularly high in three African countries: South Africa, Ghana and Nigeria. Over 73% of the Africans surveyed rated Nestlé as “among the very best” or “above average”, while less than 5% gave Nestlé negative marks. The reasons given for a positive rating were: quality and safety of products; nutritional value; and community programmes.



Chris Coulter, Vice President, GlobeScan.

“Nestlé continues to be viewed as one of the leading companies in corporate social responsibility, particularly in the developing world. Compared to other regions, African consumers are among the most likely to rate Nestlé social responsibility performance positively.”

Chris Coulter, GlobeScan

Retunde Odut Afo takes part in after school programmes that teach teenagers about good nutrition and physical activity, organised by the Duchess Club in

Nigeria. This knowledge will prepare Retunde and her classmates for a lifetime of healthy habits and a reduced risk of health problems.



Nestlé and the UN Millennium Development Goals

Through over 40 health and nutrition programmes across the continent, Nestlé is making a measurable contribution to the UN Millennium Development Goals.

Here is just a brief sample of the programmes:

Giving girls a chance to study in Morocco

Goal 2: Achieve universal primary education

Imane Marzak, 15, is one of a few hundred Moroccan students who attend the Lahdaid school established by the Zakoura Education Foundation, a non-governmental organisation that works to bring education to rural areas. Since 1997, Zakoura has helped more than 1700 children in the area of Doukkala, Morocco. Nestlé has helped fund Zakoura since it was created. The Company is interested in the wellbeing of these families – they are the dairy farmers who provide milk for the nearby Nestlé El Jadida plant. About 56% of the area's people are illiterate and schools are often too far away, or the school fees too expensive for parents. So the Foundation brings school to them, with books and other school materials provided free. There are thirty pupils per class, aged from 8-16. Judging by its attendance rate, which is near perfect in some schools, Zakoura is doing very well. "I wish that all children in Morocco could have the same experience as me," Imane said.

Supporting education in Estcourt, South Africa

Goal 2: Achieve universal primary education

While Nestlé has operated a factory in Estcourt since 1927, the area was a hotbed of violence during the apartheid era. Many of its social service systems, schools in particular, were weak. In the ten years since apartheid ended, the quality of life has improved both in and around the Nestlé factory. The company's basic education and training programmes – conducted for four hours weekly, with Nestlé paying wages for two hours and employees contributing two hours – resulted in double-digit increases in literacy. Within the surrounding community, Nestlé has since 1998 supported a competition in thirty-two Estcourt schools, in which students compete against each other – via their matriculation exams – to win computer and sports equipment for their schools. According to school superintendent Mishack Mhlanga, "The students are finding new motivation – they want to be the best they can be."

Water flows for 210 000 people in Eastern Ethiopia

Goal 4 and 7: Reduce child mortality/Ensure environmental sustainability

Key indicator: By 2015, halve the number of people without access to drinking water. The refugee problem in Africa today remains acute. In 2004, UNHCR sought to help nearly 4.3 million people in Africa alone. Through Nestlé support, 210 000 people in Eastern Ethiopia – many of them refugees – got access to clean drinking water.

Many hope the clean water supply will help reduce high child mortality in the region – 100 deaths per 1000 births, according to the *World Health Organisation*. The Nestlé-UNHCR partnership focuses on collaborative, practical assistance: Nestlé Waters' technical team works with UNHCR and the local Ethiopian water authority to design systems for managing water supply, maintaining the pipeline and pumping station, rehabilitating wells and testing the water. Local authorities are now taking over long-term operation and maintenance.

Fighting HIV/AIDS: a corporate commitment to action

Goal 6: Combat HIV/AIDS, malaria and other diseases

Nestlé is supporting community-based HIV/AIDS programmes in several countries. Among them is a partnership with national chapters of the *International Federation of Red Cross and Red Crescent Societies* on large-scale education programmes (for further details, see page 4).

Further details and examples of the *Nestlé commitment to Africa* can be found in the full report, available online at www.africa.nestle.com or by contacting Nestlé Public Affairs.

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Nestlé

Good Food, Good Life