



Good Food, Good Life

Nestlé in society

Creating Shared Value and
meeting our commitments 2018

Nestlé 2018 Annual Review extract



Our commitments

Our 36 commitments featured in the Creating Shared Value chapter guide our collective efforts to meet specific objectives.

Every day, we touch the lives of billions of people: from the farmers who grow our ingredients and the families who enjoy our products, through the communities where we live and work, to the natural environment upon which we all depend.



For individuals and families

Over 1300

new products were launched in 2018 addressing specific nutritional needs and gaps of babies, children, expecting women or new mothers

106 million

children and families reached with fortified foods and beverages

13.2%

decrease in artificial colors

170 million

portions of vegetables added to our foods and beverages



For our communities

181.8 million

coffee plantlets distributed (cumulative since 2010) to farmers, against a target of 220 million by 2020

Over 26 000

job opportunities, traineeships or apprenticeships were offered to people under the age of 30 through our *Nestlé needs YOUth* initiative

63%

of the volume of our 14 priority categories of raw materials are responsibly sourced

440 000

farmers trained through capacity-building programs



For the planet

2.6%

decrease in indirect greenhouse gas emissions per tonne of product

293

factories achieved zero waste for disposal

29.6%

reduction in direct water withdrawals per tonne of product across every category since 2010

34%

of our electricity comes from renewable sources

Creating Shared Value



Maggi Naija Pot: A seasoning cube with a social impact

Produced at our Flowergate factory in Nigeria, *Maggi's* new *Naija Pot* seasoning responds to local tastes and the preferences

of today's consumer for simple and familiar ingredients, while offering an improved nutritional profile that contains less salt.

Creating Shared Value (CSV) is fundamental to how we do business at Nestlé. We believe that our company will be successful in the long term by creating value for both our shareholders and for society. Our activities and products should make a positive difference to society while contributing to Nestlé's ongoing success.

Focus on key areas

Long-term value creation requires focus. In consultation with experts, we chose to prioritize the three areas where our business intersects the most with society: nutrition, rural development and water. Value creation is only possible with a solid foundation of compliance and a culture of respect, as well as a firm commitment to environmental and social sustainability. Our impact on these focus areas is measured by progress against publicly stated commitments, which are informed by our materiality assessment (see p. 41) and regular feedback from external groups.

The business case for Creating Shared Value

We cannot maximize long-term sustainable value creation for shareholders at the expense of other stakeholders. We believe that societies will not support a business that harms our communities and overall sense of well-being. Creating Shared Value helps ensure that we remain relevant with consumers.

To better connect financial with non-financial value creation and reporting, we worked with Ernst & Young (EY) and Valuing Nature to conduct an impact assessment to calculate the societal and business value generated by our *Global Youth Initiative* (GYI). Launched in 2017, the GYI is expected to create 10 million economic opportunities for young people over the next decade. The study revealed that the initiative generated a positive business return on



Nestlé CEO U. Mark Schneider with students of the Kouadiolankrokro bridge school in rural Côte d'Ivoire. Built in partnership with the Jacobs Foundation, bridge schools provide access to education and help prevent child labor.

investment, and an even higher societal return. More detail on the results and methodology have been published on our website.

This impact valuation methodology has been peer-reviewed by FSG and continues to be refined through application to other projects. We are currently conducting an impact valuation of our *Caring for Water* initiative.

We also participated in the work of the Embankment Project for Inclusive Capitalism (EPIC), which aims at shaping the broader conversation on long-term value creation.



Further information

Find details of our management approach and governance structure, as well as performance data, case studies and additional content, in our annual *Nestlé in society – Creating Shared Value* online report and the Nestlé in society section of our corporate website (www.nestle.com/csv).

Nestlé. Enhancing quality of life and contributing to a healthier future.

Driven by our company purpose —enhancing quality of life and contributing to a healthier future— our 2030 ambitions align with those of the United Nations 2030 Agenda for Sustainable Development.

At Nestlé, we touch billions of lives worldwide: from the individuals and families who enjoy our products, to the communities in which we live, work and source our ingredients, and the natural environment upon which we all depend. Having identified three core areas where we make an impact, we have made public commitments against our most material issues, which help us achieve our ambitions and ultimately support the UN Sustainable Development Goals (SDG) for 2030.

Status of our commitments

- New
- In progress
- Achieved

For individuals and families

Enabling healthier and happier lives



Our 2030 ambition is to help 50 million children lead healthier lives

 <p>Offering tastier and healthier choices</p> <ul style="list-style-type: none"> ●○○ Launch more foods and beverages that are nutritious, especially for mothers-to-be, new mothers, and infants and children ●●○ Further decrease sugars, sodium and saturated fat ●●○ Increase vegetables, fiber-rich grains, pulses, nuts and seeds in our foods and beverages ●●○ Simplify our ingredient lists and remove artificial colors ●●○ Address undernutrition through micronutrient fortification 	 <p>Inspiring people to lead healthier lives</p> <ul style="list-style-type: none"> ●○○ Apply and explain nutrition information on packs, at point of sale and online ●●○ Offer guidance on portions for our products ●●○ Leverage our marketing efforts to promote healthy cooking, eating and lifestyles ●●○ Empower parents, caregivers and teachers to foster healthy behaviors in children ●●○ Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly ●●○ Inspire people to choose water to lead healthier lives ●●○ Partner for promoting healthy food environments 	 <p>Building, sharing and applying nutrition knowledge</p> <ul style="list-style-type: none"> ●○○ Build and share nutrition knowledge from the first 1000 days through to healthy aging ●●○ Build biomedical science leading to health-promoting products, personalized nutrition and digital solutions
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SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY



2 ZERO HUNGER



13 CLIMATE ACTION



14 LIFE BELOW WATER



For our communities

Helping develop thriving, resilient communities



Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities



Enhancing rural development and livelihoods

- Improve farm economics among the farmers who supply us
- Improve food availability and dietary diversity among the farmers who supply us
- Implement responsible sourcing in our supply chain and promote animal welfare
- Continuously improve our green coffee supply chain
- Roll out the *Nestlé Cocoa Plan* with cocoa farmers

Respecting and promoting human rights

- Assess and address human rights impacts across our business activities
- Improve workers' livelihoods and protect children in our agricultural supply chain
- Enhance a culture of integrity across the organization
- Provide effective grievance mechanisms to employees and stakeholders

Promoting decent employment and diversity

- Roll out our *Nestlé needs YOUth* initiative across all our operations
- Enhance gender balance in our workforce and empower women across the entire value chain
- Advocate for healthy workplaces and healthier employees

For the planet

Stewarding resources for future generations



Our 2030 ambition is to strive for zero environmental impact in our operations



Caring for water

- Work to achieve water efficiency and sustainability across all our operations
- Advocate for effective water policies and stewardship
- Engage with suppliers, especially those in agriculture
- Raise awareness on water conservation and improve access to water and sanitation across our value chain

Acting on climate change

- Provide climate change leadership
- Promote transparency and proactive, long-term engagement in climate policy

Safeguarding the environment

- Improve the environmental performance of our packaging
- Reduce food loss and waste
- Provide meaningful and accurate environmental information and dialogue
- Preserve natural capital



Enabling healthier and happier lives

Consumer food habits are changing. In line with these evolving needs, we are transforming our products, making them more nutritious and natural. We also help parents everyday through supportive services. The driving force is *Nestlé for Healthier Kids*, our flagship initiative to help 50 million children lead healthier lives by 2030.



Inspiring people to lead healthier lives

We make sure our brands provide healthy recipes, clear nutrition information and portion guidance to raise awareness and help consumers adopt healthier lifestyles.

Good nutrition in the early years lays the foundation for lifelong health and well-being. Our flagship initiative *Nestlé for Healthier Kids* aims to educate and inspire parents and caregivers of children during the crucial period from conception to adolescence.

At a glance

- 1 29 million** children reached through *Nestlé for Healthier Kids*
- 2 Over 1300** new nutritious products launched for babies, children, expecting women or new mothers
- 3 CHF 1.7 billion** invested in research and development

Nesquik

Making healthy choices easier with a range of reduced sugar options of iconic brands.



Sweet Earth

Flexitarian, vegetarian, these plant-based meal options help to support a healthy diet without compromising on nutrition, taste or convenience.



Offering tastier and healthier choices

Malnutrition comes in many forms: undernutrition, obesity or being overweight, and micronutrient deficiencies. Combating malnutrition remains one of the greatest global health challenges.

With particular attention to children, we are committed to launching more nutritious foods and drinks, increasing vegetable and whole grain content, simplifying ingredient lists and removing artificial colors. We also fortify products where needed and are reducing sugar, sodium and saturated fat.

Building, sharing and applying nutrition knowledge

Our scientists and researchers work to discover how different aspects of nutrition impact us at every stage of life. Our studies of infants' and children's eating habits for instance, which include dietary intake information from over 55 000 infants, toddlers and school-aged children worldwide, help us to improve products and services. The learnings are also shared with medical and nutrition communities to address various global health challenges.



Vitaflo

Our cutting edge research allows us to help people with food-related medical conditions.



Helping develop thriving, resilient communities

We aim to develop thriving, resilient communities as part of a secure, long-term value chain, empowering our employees, supporting rural development, ensuring responsible sourcing and promoting human rights. Initiatives such as our *Nespresso AAA Sustainable Quality Program*, *Nescafé Plan*, *Nestlé Cocoa Plan* and *Farmer Connect* help ensure the resilience of thousands of suppliers and farmers around the world.



Enhancing rural development and livelihoods

By understanding the challenges farmers face, we aim to improve productivity and incomes, make agriculture more attractive and secure long-term supplies.

Our Child Labour Monitoring and Remediation System continues to grow in our cocoa supply countries, Côte d'Ivoire and Ghana, and has now helped 11 130 children.

In 2018, we launched *Grown Respectfully* to communicate the work of our *Nescafé Plan* by conveying real, inspiring experiences from coffee growers.

At a glance

- 1 63%** of our 14 priority categories of ingredients are responsibly sourced
- 2 43.2%** of Nestlé's leadership roles are held by women
- 3 Over 400 000** young people reached through *Nestlé needs YOUth*

Nescafé

Grown Respectfully brings to life the work that *Nescafé* has been doing for over 80 years to help our farmers grow better coffee, sustainably.



Respecting and promoting human rights

We are committed to respecting and promoting human rights across our activities. We work with experts to identify risks and implement action plans.

We have further promoted human rights at country operation level, a key step toward governance structures to oversee human rights risks and opportunities. We also launched an updated training tool, which will help us achieve our objective to train all Nestlé employees on human rights.



KitKat

Nestlé is committed to supporting sustainable cocoa farming and teamed up with ethical ad platform Good-Loop to allow viewers to donate part of the *KitKat* brand's media budget to the *Nestlé Cocoa Plan*.



Promoting decent employment and diversity

Ensuring decent employment, diversity and inclusion is a key aspect of Nestlé's culture. In 2018, we pledged to accelerate achieving equal pay. We implemented a new maternity policy across our markets and publicly committed to the UN's Standards of Conduct for Business to tackle LGBTI discrimination. Furthermore, we worked on tackling conscious and unconscious biases in our organization through trainings and communications.



Nespresso

The role of women in coffee smallholder farming is very important to the sustainable development of their local communities and the sector. This is why *Nespresso* emphasizes gender equality in coffee-sourcing regions.

Stewarding resources for future generations

We are dependent upon forests, soils, the oceans and the climate to deliver a sustainable supply of resources for our operations. We have set commitments and objectives to use and manage resources sustainably, by operating more efficiently, responding to climate change, reducing food loss and waste, and caring for water. Our ambition is to strive for zero environmental impact in our operations.



Caring for water

Caring for water is a key part of achieving our ambition of zero environmental impact in our operations. We continue to reduce withdrawals per tonne of product and reuse water. We also work with others, such as the Alliance for Water Stewardship, on water stewardship initiatives and increasing access to safe water, sanitation and hygiene, a fundamental right for everyone.

At a glance

- 1 We have **18** zero water factories
- 2 **38.2%** reduction in GHG emissions per tonne of product since 2008
- 3 **118 710 tonnes** of packaging avoided since 2015

Nido

Nestlé dairy processing factories are progressing toward becoming zero water facilities by reusing the water recovered from the milk evaporation process.



Acting on climate change

As an industry, we are impacted by climate change. Changing weather influences crop yields and the livelihoods of farmers. We are determined to help our farmers build resilience to climate change, and are playing our part in reducing our impact upon the climate by reducing greenhouse gas (GHG) emissions in line with science-based targets throughout the value chain.



Extrafino

We work closely with local dairy farmers, collecting fresh milk and supporting energy-efficient projects.



Safeguarding the environment

Across Nestlé, we reduce, reuse and recycle to move our sites toward zero waste for disposal. We want no Nestlé packaging to end up in landfills or as litter, on land or at sea.

In 2018, we announced the creation of the Nestlé Institute of Packaging Sciences, dedicated to the discovery and development of functional, safe and environmentally-friendly packaging solutions. This is a step toward our ambition to make 100% of our packaging recyclable or reusable by 2025.

We rely on healthy forests, soils and oceans for the ingredients we use. We aim to improve our environmental performance while growing our business: from working with farmers to manage soils and avoid excess run-off, to investing in waste infrastructure to stop plastic leakage, to supporting global efforts, like the Global Ghost Gear Initiative.

Pure Life

Nestlé Pure Life water bottles, already made from recyclable plastic, are an example of our global packaging ambition to make 100% of our packaging recyclable or reusable by 2025.



Stakeholder engagement and materiality mapping

Engaging with others on important issues strengthens our business. We seek the advice of experts, advocates and challengers to develop our corporate policies and commitments, inform strategy and prioritize investments.

Our stakeholders include: investors, multilateral organizations, governments, NGOs, academia, local communities, suppliers, consumers and business-to-business customers.

Every two years, we ask an independent third party to carry out a formal materiality assessment, to help us identify the most important issues for our business and our stakeholders.




Our stakeholder convenings and other events provide further opportunities for dialogue. In March 2018, our Creating Shared Value Forum —attended by Nestlé Chairman Paul Bulcke and CEO U. Mark Schneider—was held in conjunction with the eighth Global World Water Forum in Brasilia, Brazil. In 2018, as part of our investor outreach we met with 660 firms and 1148 investors across 23 cities.

Our performance in leading indices

We are not driven by awards and recognition, but we're proud to have our sustainability efforts and achievements acknowledged by world-leading ratings and rankings agencies:



Nestlé Chairman Paul Bulcke speaks at the 2018 Creating Shared Value Forum in Brasilia, Brazil, where the topic was “Water as a driver for the Sustainable Development Goals.”

 FTSE4Good	Nestlé has been consistently listed in the FTSE4Good Responsible Investment Index since 2011.
 ACCESS TO NUTRITION INDEX™	Ranked first out of 22 global food and beverage manufacturers in the 2018 Access to Nutrition Index™ (ATNI) .
MEMBER OF Dow Jones Sustainability Indices <small>In Collaboration with RobecoSAM</small>	Ranked second in the Food Products industry of the 2018 Dow Jones Sustainability Index (DJSI) , scored 100 for Health and Nutrition performance, and hold the leadership scores in the Environmental and Social Dimensions.
 CDP <small>DRIVING SUSTAINABLE ECONOMIES</small>	Retained our place in CDP's Climate A list .

Nestlé materiality matrix 2018

Importance to stakeholders	Major	<ul style="list-style-type: none">Natural resource and water stewardshipClimate change	<ul style="list-style-type: none">Supply chain stewardshipOver and undernutrition	
	Significant	<ul style="list-style-type: none">Women's empowermentCommunity relations	<ul style="list-style-type: none">Rural development and poverty alleviationHuman rightsBusiness ethicsResponsible marketing and influenceProduct qualityFood and nutrition securityResource Efficiency, (Food) Waste and the Circular EconomyLand management in the supply chain	<ul style="list-style-type: none">Food and product safetyChanging consumer demographics and trendsProduct packaging and plastic
	Moderate	<ul style="list-style-type: none">Animal WelfareEmployee Safety, Health and WellnessFair employment and equal opportunities	<ul style="list-style-type: none">Product regulation and taxationGeopolitical uncertaintyResponsible use of technologyData privacy and cyber security	
		Moderate	Significant	Major
	Impact on Nestlé's success			

For individuals and families 	For our communities 	For the planet 
<ul style="list-style-type: none"> Over and undernutrition Responsible marketing and influence Product quality Food and product safety Changing consumer demographics and trends Food and nutrition security Data privacy and cyber security 	<ul style="list-style-type: none"> Supply chain stewardship Women's empowerment Product regulation and taxation Human rights Animal welfare Business ethics Employee Safety, Health and Wellness Geopolitical uncertainty Fair employment and equal opportunities Natural disasters Responsible use of technology Community relations Rural development and poverty alleviation 	<ul style="list-style-type: none"> Natural resource and water stewardship Resource Efficiency, (Food) Waste and the Circular Economy Land management in the supply chain Climate change Product packaging and plastic