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Web: [www.nestle.com](http://www.nestle.com)

## Documentation provided

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Please include only recent documentation which has not previously been sent to SAM Research.

1. 2005 Community support
2. 2006 Consolidated Nestlé Environmental Performance Indicators
3. 2007 Environmental Performance indicators
4. 2007 Financial Statements
5. 2007 Financial Statements
6. 2008 Consolidated Nestlé Environmental Performance Indicators
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8. 2009 CSV
9. 2009 Code of Business Conduct
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12. 2009 Health and Safety
13. 2009 Management Report 2008
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18. 60/40 testing guidelines
19. APRAIS 360-degree agency feedback tool / process
20. Actions in Communication PPP
21. Advantage Group survey sample view
22. Africa Nestle
23. Annoncement of Corporate Wellness Unit
24. Articles of Association
25. Australian Corporate Equity Study Example
26. BCP Methodology
27. BCP Methodology
28. Best Practices in Care Center Reporting
29. Board of Directors - Board Regulations

30. [Board of Directors - Board Regulations \(April 2009\)](#)
31. [Brand Dashboard Framework 2009](#)
32. [Brand Health Tracking Dashboard](#)
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34. [Brand Simulated Dashboard](#)
35. [Branded Active Benefits for questions on NHW](#)
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42. [Chocolate that melts in... your garden](#)
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44. [Comment Question 28 SAM - Brand Management](#)
45. [Comment Question 36 SAM - Health and Nutrition](#)
46. [Comments document for questions 36](#)
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49. [Comments document for questions 39](#)
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62. [Corporate Equity Montior Global Summary Report 2008](#)
63. [Corporate Governance Report 2006](#)
64. [Corporate Governance Report 2008](#)
65. [Corporate Governance and Compliance Overview and Update May 2009](#)
66. [Corporate Governance and Compliance at Nestlé](#)
67. [Corporate Governance report 2006](#)
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69. [Corporate Management Development & Sourcing](#)
70. [Creating Share Value 2009](#)
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72. [Creating Shared Value](#)
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74. [Crisis Management](#)
75. [Crisis Preparedness & Management](#)
76. [Definition BAB overview](#)
77. [Document explaining our Packaging "Compass"](#)
78. [ERM Principles](#)
79. [ERM consolidation](#)
80. [ERM introduction](#)
81. [ERM introduction workshop participants](#)
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84. [ERM workshop guidance](#)
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89. [Emerging Markets, Research and Analysis of households revenues and costs](#)
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92. [Environment Report 2000 Nestle](#)
93. [Every day counts](#)

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- 144. Nestlé Leadership Framework
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- 146. Nestlé Nutrition
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- 148. Nestlé Nutrition Council - Gazette news
- 149. Nestlé Nutrition Institute
- 150. Nestlé Nutrition Profiling in Brief
- 151. Nestlé Nutritional Compass Guideline
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- 153. Nestlé Packaging Source Reduction 2008
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- 155. Nestlé Policy on Health and Safety at Work
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157. [Nestlé Research The Engine for Nutrition, Health and Wellness](#)
158. [Nestlé Responsible Sourcing Audit Guidelines](#)
159. [Nestlé Responsible Sourcing Checklist](#)
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161. [Nestlé and Water: Sustainability, Protection, Stewardship](#)
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215. R&D Bauer Investor Seminar 2007
216. R&D Creating Value from Investment in Science and Technology, W. Bauer - June 2008
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- 222. [Sedex members audit report template](#)
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- 228. [Source Reduction Metal](#)
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- 230. [Supplier Assesement](#)
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- 232. [Sustainability Report Nestle](#)
- 233. [Sustainable operations](#)
- 234. [The Bali Communiqué on Climate Change](#)
- 235. [The Nestlé Commitments on Water](#)
- 236. [The Nestlé Creating Shared Value Report](#)
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- 238. [The Nestlé Policy on Environmental Sustainability](#)
- 239. [The Nestlé Policy on the Environment](#)
- 240. [The Nestlé Supplier Code](#)
- 241. [The Nestlé concept of corporate social responsibility](#)
- 242. [The Nestlé water management report](#)
- 243. [The world of Nestlé](#)
- 244. [Touchpoints Guidelines](#)
- 245. [Training - Article - Malaysia - 11 June 2009](#)
- 246. [Training International Rive Reine Program 2009 2010](#)
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- 248. [UK Corporate Equity Study](#)
- 249. [UN Global Compact CEO Water Mandate](#)
- 250. [Voice of the Consumer Best Practices](#)
- 251. [Water Nestle](#)
- 252. [Webcast to the Annual investor seminar on Nutrition, Health and Wellness, June 2007](#)

253. Wellness in Action for Care Centers

254. policy on Level of Sugar in Food products

255. policy on level of Sodium Salt in Food products

## Economic Dimension

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### Corporate Governance

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1. Please indicate in the following table the number of executive, non-executive directors on the board of directors/supervisory board of your company. Please find additional explanation concerning one-tier, two-tier system in the information button.

ONE-TIER SYSTEM For companies with board of directors

	Number of members
Executive directors	
Non-executive directors (excl. independent directors)	
Independent directors	
Total board size	

TWO-TIER SYSTEM For companies with supervisory board

		Number of members
SUPERVISORY BOARD	Non-executive directors(excl. independent directors)	1
	Independent directors	11
	Employee representatives(if not applicable, pleaseleave the field empty)	
MANAGEMENT BOARD/EXECUTIVE MANAGEMENT	Senior executives	13
	TOTAL SIZE OF BOTH BOARDS	25

- Not applicable. Please provide explanations in the comment box below.  
 Not known

*Comment:*

*References:*

Corporate Governance and Compliance Overview and Update May 2009  
 Corporate Governance Report 2008  
 Board of Directors - Board Regulations (April 2009)



2. Is the board of directors/supervisory board headed by a non-executive and independent chairman and/or an independent lead director?

- Yes, chairman is non-executive and independent. Please specify since when this approach was adopted: \_\_\_\_\_ year  
 Yes, role of CEO and chairman is split and former CEO/chairman is now chairman.  
 Yes, role of CEO and chairman is split and former CEO/chairman is now chairman, but independent lead director is appointed. Please indicate name: \_\_\_\_\_  
 No, role of chairman and CEO is joint. But independent lead director is appointed. Please indicate name: \_\_\_\_\_  
 No, role of chairman and CEO is joint or chairman is an executive director.  
 Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

<http://www.nestle.com/AllAbout/Governance/NestleManagement/BoardDirectors.htm> Peter Brabeck-Letmathe is now Chairman and Paul Bulcke is CEO. However, there is no statutory article in our Articles of Association which forbids Nestlé from combining the positions of Chairman and CEO. The Nestlé Board of Directors also has two Vice Chairman in the persons of Andreas Koopmann and Rolf Hänggi

**References:**

Corporate Governance and Compliance at Nestlé  
 Corporate Governance Report 2008  
 Board of Directors - Board Regulations (April 2009)  
 Corporate Governance Report 2008, page pdf 8



3. Please indicate in the table below the functions, and associated committee names, for which the board of directors / supervisory board explicitly assumes formal responsibility.

Function	Responsibilities	Name of committee
Strategy	✓ Formal Board Responsibility	
Audit, accounting, risk management	✓ Formal Board Responsibility ✓ All members are non-executives	Audit Committee
Selection and nomination of board members and top management	✓ Formal Board Responsibility ✓ All members are non-executives	Chairman's and Corporate Governance Committee, Nomination Committee
Remuneration of board members and top management	✓ Formal Board Responsibility ✓ All members are non-executives	Compensation Committee
Corporate social responsibility, corporate citizenship, sustainable development	✓ Formal Board Responsibility	

- Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:****References:**

CG Report Nestle, page 10-11  
 Corporate Governance Report 2008, page 10 to 13



4. Please indicate if the board of directors/supervisory board has issued a formal corporate governance policy and if it's publicly available and covers the following aspects:

- ✓ Yes, formal corporate governance statement:
- ✓ Documented in: Written Corporate Governance Principles since year 2000. Annual Corporate Governance Report since year 2002. Last report: Corporate Governance report 2008  
<http://www.nestle.com/AllAbout/Governance/Governance.htm> and/or  
 website: <http://www.nestle.com/AllAbout/Governance/Governance.htm>
  - ✓ Statement of compliance of the formal policy with current legislation
  - ✓ Remuneration framework and performance evaluation of the members of board of directors/supervisory board, CEO and senior executives
  - ✓ Independency statement of board of directors/supervisory board
  - ✓ Attendance of board of directors/supervisory board meetings disclosed
  - ✓ Biographies, CVs of board of directors/supervisory board disclosed
  - ✓ Other mandates of board of directors/supervisory board members disclosed
- No formal corporate governance policy  
 Not applicable. Please provide explanations in the comment box below.  
 Not known

*Comment:*

*References:*

CG Report Nestle  
Corporate Governance and Compliance at Nestlé  
Board of Directors - Board Regulations (April 2009)  
Corporate Governance Report 2008  
Corporate Business Principles, page 21  
Corporate Governance Report 2008, page 5, 8-12, 14, 27-34 pdf  
2009 Management Report 2008, page 10



5. How many women are members on your company's board of directors/supervisory board?

2

Not applicable. Please provide explanations in the comment box below.

Not known

*Comment:*

*References:*

Corporate Governance Report 2008, page 8 & 9



6. How does your company ensure the effectiveness of your board of directors/supervisory board and the alignment with the (long-term) interests of shareholders?

	Indicators/measures
Stock ownership(value at the end of last business /fiscal year)	<input checked="" type="checkbox"/> Non-executive directors are required to buy shares <input checked="" type="checkbox"/> Non-executive directors' individual average stock ownership worth USD:3'322'494 shares (as published in the 2008 CG-Report)
Number of meetings attended inpercentage last business/fiscal year	<input checked="" type="checkbox"/> All members attendedin excess of 99%of meetingsof board of directors/supervisory board <input type="checkbox"/> Minimum of attendance for all members required, at least%
Number of other mandates of the board of directors/supervisory board members	<input checked="" type="checkbox"/> Number of directors with 4 or less other mandates:12 <input type="checkbox"/> Number of other mandates for all directors restricted to:
Performance assessment of board of directors/supervisory board members	<input checked="" type="checkbox"/> Regular self-assessment of board performance, please specify or provide supporting documents:Internal documentation only. Procedure disclosed in detail in the publically available Board of Directors Regulations (page 7), available on the Nestlé Internet: <a href="http://www.nestle.com/AllAbout/Go...">http://www.nestle.com/AllAbout/Go...</a> <input checked="" type="checkbox"/> Regular independent assessment of board performance, please specify or provide supporting documents:Internal documentation only.

Not applicable. Please provide explanations in the comment box below.

Not known

*Comment:*

Clear information on compensation is stipulated in the Corporate Governance Report 2008 pp 23 / 32 For legal reasons, assesment documents cannot be made available.

*References:*

Articles of Association  
Corporate Governance report 2007

Corporate Governance Report 2008  
 Board of Directors - Board Regulations (April 2009)  
 Corporate Governance Report 2008, page 8-12, 14 pdf



7. Please indicate if your company has adopted any entrenchment provisions at the board of directors / supervisory board level:

✓	Entrenchment Provision		
	Staggered (or classified) board:	<input checked="" type="radio"/> Yes <input type="radio"/> No	
	Limits to amend by-laws: supermajority required	<input type="radio"/> Yes <input checked="" type="radio"/> No	
	Limits to amend charter: supermajority required	<input checked="" type="radio"/> Yes <input type="radio"/> No	
	Supermajority requirements for mergers:	<input checked="" type="radio"/> Yes <input type="radio"/> No	
	Golden parachutes:	<input type="radio"/> Yes <input checked="" type="radio"/> No	
	Poison pill (i.e. shareholder rights plans):	<input type="radio"/> Yes <input checked="" type="radio"/> No	

- Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

See Nestlé Articles of Association

**References:**

Articles of Association



8. Please indicate in the table audit, audit related and non-audit related fees (e.g. for management consulting) paid to your company's auditing firm at corporate level in the last fiscal year. Please attach/provide supporting documents or indicate website: [Published in the Annual Nestlé Corporate Governance Report 2008 \(Chapter 8\) See 8.2 and 8.3 on page 20](http://www.nestle.com/AllAbout/Governance/Governance.htm)  
<http://www.nestle.com/AllAbout/Governance/Governance.htm>

✓ Answer:

Fees for fiscal year:2008	Amount in local currency:CHF	Comment
Audit fees	54 mio.	of which KPMG, in their capacity of group auditors receive CHF 50 mio
Audit-related fees	12 mio.	of which KPMG received CHF 4 mio.
Non-audit related fees(excluding tax services)		
Tax services		
Other fees paid		

- Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

The Nestlé Group and KPMG have agreed on clear guidelines as to professional services which it is appropriate for KPMG to provide. These services include due diligence on mergers, acquisitions

and disposals and tax and business risk assurance. These guidelines ensure KPMG's independence in their capacity as auditors to the Nestlé Group (..) KPMG monitors its independence throughout the year and confirms its independence to the Audit Committee annually (see Nestlé Corporate Governance Report 2008, Chapter 8.4.).

**References:**

CG Report Nestle, page 22  
Corporate Governance Report 2008, page 20



9. Does your company communicate the remuneration/compensation of your board of directors/supervisory board members and other highest paid senior directors/executives (e.g. CEO ) externally? Please attach references.
- Yes, on individual level of each board member and CEO and additional highest paid senior executives.
  - Yes, on individual level of each board member and CEO
  - Yes, on an aggregated level for non-executive directors AND on aggregated level for executives directors
  - Yes, on aggregated level of board/supervisory board
  - No
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Published in the Corporate Governance Report 2008 See Compensation Report, pages 23 - 32

**References:**

Corporate Governance Report 2008, page 23 to 32



10. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company. Please disregard the reference and comment button.  
Please press "save+next" to proceed to the next question.

**Comment:**

## Risk & Crisis Management

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11. Please indicate the name, position and reporting line of your chief risk officer or person responsible for this function at the group level.
- Name: Schädeli Markus Position: Head of Risk Management Number of levels from the Board of Directors/executive board: 2 Reporting line: CFO
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Direct functional reporting line to CFO for all risk management related topics. But from an administrative perspective, reporting to Head of Group Pension / Group Risk Services. Functional leadership / responsibilities are defined in ERM Principles.

**References:**

ERM Principles



12. Does your company use a uniform groupwide risk analysis framework, i.e. risk assessment, risk management, risk communication/reporting? - Please provide comments & supporting documents.

- Yes:** Group Risk Management has established an uniform groupwide risk analysis framework, which is used to identify & quantify risks & opportunities in a consistent way within the company. The methodology is used to assess businesses, markets, and/or operations / processes / projects and can be customized depending on the specific needs / requirements. A presentation of the risk management system has been provided in 2006 and an updated presentation is enclosed as reference. Enterprise Risk Management Principles have also been updated and approved by the Executive Board in June 2008. An update on ERM process was presented to the full Board of Directors in Nov. 2008. As part of the ERM process, a regular consolidation of major risks is performed and presented to the Executive Board / Audit Committee of the Board. In 2009, quarterly ERM reporting / consolidation will be applied. References: ERM Principles (approved by Executive Board - July 2008); Risk assessment Top-Down Reference Guide (instruction for Markets to apply ERM) Risk assessment workshop guidance (instruction for workshop facilitator) Risk assessment introduction for participants (information for workshop participants) ERM introduction (overview of methodology applied at Nestlé) All non financial risks are holistically coordinated through the Group's Compliance Committee.

**No:**

- 
- Not applicable. Please provide explanations in the comment box below.  
 Not known

*Comment:*

*References:*

ERM Principles  
 ERM reference guide  
 ERM workshop guidance  
 ERM introduction workshop participants  
 ERM introduction



13. Which of the following factors does your company systematically include in defining corporate risk? Please provide supporting documents.

- Probability (How likely is it that some risky event will actually occur?)  
 Magnitude  
 Time horizon (How long will the company be exposed to the risk?)  
 Correlation (How are the risks in the businesses related to each other?)  
 **Others, please specify:** We have implemented a systematic approach to Enterprise Risk Management group wide. (ERM vision, please see comment) Reference: ERM introduction
- Not applicable. Please provide explanations in the comment box below.  
 Not known

*Comment:*

Our Enterprise Risk Management (ERM) vision as defined in May 2008: Risk Management will foster sound decision making throughout all businesses by facilitating and implementing an efficient, transparent and integrated process that enables Nestlé Management to anticipate risks (threats & opportunities). ERM is a structured process to identify and quantify risks and its possible impacts. It provides a decision support tool embedded in the management process. ERM is a self-assessment process with a multi-functional team approach. It is integrated in the business and is owned by the line management. Risk Management advisors act as facilitator. This approach allows to raise awareness, provides a full risk overview, proactively manages emerging issues, etc. References: ERM introduction (showing examples of probability (likelihood), magnitude (impact) definitions applied)

*References:*



ERM introduction  
ERM consolidation



14. Does your company use risk maps (or other tools) in order to rank your risk exposures on a two-dimensional scale (probability and magnitude)?

- Yes. Please attach supporting documents.
- No
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

As described we have our own developed risk mapping tool. We are using a corporate web based single repository to document all existing risk maps / data, which does allow us to consolidate all our data on a world wide basis. These data are then used to prepare a quarterly consolidation / reporting. Example of risk map attached

*References:*

ERM introduction  
ERM reporting (DRAFT)  
ERM consolidation



15. Does your company perform sensitivity analysis and stress testing on a group level?

- Yes, the main focus is on changes in foreign exchange and interest rates. Please attach supporting documents or indicate the website:\_\_\_\_\_
- Yes; we produce comprehensive scenarios on a number of factors (in addition to foreign exchange and interest rates). Please attach supporting documents or indicate the website:\_\_\_\_\_
- No
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

As mentioned risk assessments are done by line management on local levels, the results are then consolidated on group level. Progress is reported globally. In specific areas such as Treasury and/or or other Financial risk management activities (Pension Fund, Commodities), stress testing is performed on a regular basis. The Markets use scenarios to create 12-18 months forward looking evolution (as part of Dynamic Forecast)

*References:*

ERM Principles  
ERM consolidation  
ERM reporting (DRAFT)



16. As part of your corporate risk response strategy which risks does your company retain, which are transferred, and which risks are avoided? You only have to give examples, but please attach supporting documents or indicate website:\_\_\_\_\_

- Risks retained (risk exposure is accepted without further mitigation):Examples for: External (change in political, social, economical, regulatory, etc. environment)
- Risks transferred (risk exposure will be transferred to others, perhaps through insurance policy or through outsourcing):Property (fire, natural hazards), Liability, Motor Fleet, Workers Compensation risks are transferred to own re-insurance captive; Only excess insurance coverage is then transferred to third party insurance. References: Insurance & Risk Financing Standards; Compulsory Insurance

- ✓ **Risks reduced (likelihood or consequences are reduced):**Loss Prevention Programme established to anticipate major incidents such as fire, natural hazards, etc. to lead to significant disruption of the supplies at Nestlé; Road Safety Programme established to reduce number of road accidents (2008 European Award for Best Loss Prevention Programme by StrategicRisk). Other examples of risk mitigation: Manufacturing (capacity, availability: BCP, alternative sites; Nestlé Continuous Excellence initiative), Quality (Nestlé Quality Management System 'NQMS' improving Quality, Food safety), Environmental (Nestlé Environmental System Management reducing emissions), Safety (one accident is one too much initiative), Security (Nestlé Security Network), Finance (Regional Treasury Centers, Credit Management Network), Purchasing (Global Spend Initiative, Global Supply Policies for key Commodities), Project risks (Project Management Process), External events (human pandemic preparedness plans), etc. References: Quarterly updated loss prevention programme; Standards on Property Loss Prevention; NCE; BCP; Pandemic Influenza Standards
- ✓ **Risks avoided (risk exposure will be eliminated entirely, e.g. through ceasing a business):**Risk Management will support sound decision making throughout all businesses by facilitating and implementing an efficient, transparent and integrated process that enables Nestlé Management to anticipate risks. Taking risks is part of day-to-day business management. Nestlé does normally not opt to fully eliminate / avoid risks, but rather create sufficient awareness and transparency in order to manage these risks adequately.
- ✓ **Others, please specify:**Nestlé has implemented a Crisis Preparedness and Management process which helps to set up all the preventive actions so that we are ready in case of a crisis and know how to handle it in the best way (see in reference Nestlé Crisis Preparedness & Management)
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

BCP Methodology  
 Crisis Management  
 Crisis Preparedness & Management  
 Loss Prevention Programme - Quarterly Update  
 Insurance & Risk Financing Standards  
 Property Loss Prevention Standards  
 Compulsory Insurance  
 NCE  
 Pandemic Influenza Standard



17. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company. Please disregard the reference and comment button.  
 Please press "save+next" to proceed to the next question.

*Comment:*

## Codes of Conduct/Compliance/Corruption&Bribery



18. Please indicate for which areas corporate codes of conduct have been defined at a group level (including subsidiaries). Please attach references.
- ✓ **Documented in:**Employee contracts of employment Nestlé Corporate Business Principles Nestlé Code of Business Conduct Nestlé Management and Leadership Principles Nestlé HR Policy The Nestlé

Policy on the Environmental Sustainability Nestlé Environment Progress Report Nestlé Policy on Health and Safety at Work The Nestlé Supplier Code Corporate Guidelines for Contributions (part of Nestlé Corporate Business Principles) Nestlé Information Policy Data Protection Policy Communications Systems Policy

- Corruption and bribery
- Discrimination
- Confidentiality of information
- Money-laundering and/or insider trading/dealing
- Security of staff, business partners, customers
- Environment, health and safety
- Whistleblowing
- No group-wide code of conduct
- Group-wide code of conduct to be implemented within the next \_\_\_\_\_ months
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 12 & 16  
Environment Report 2000 Nestle  
Nestlé Human Resources Policy  
Corporate Business Principles  
Nestlé Management & Leadership Principles  
Compliance with Nestlé Corporate Business Principles  
Corporate Governance and Compliance at Nestlé  
Nestlé Group Audit: Creating shared value through Compliance with Nestlé Corporate Business Principles  
The Nestlé Supplier Code  
Code of Business Conduct  
CARE Executive Summary  
The Nestlé Policy on Environmental Sustainability  
Nestlé Policy on Health and Safety at Work  
Corporate Governance Report 2008



19. What mechanisms are in place to assure effective implementation of your company's codes of conduct (e.g. compliance system)?
- Responsibilities, accountabilities and reporting lines are systemically defined in all divisions and group companies
  - Dedicated help desks, focal points, ombudsman, hot lines
  - Codes of conduct linked to employee remuneration
  - Employee performance appraisal systems integrates compliance/codes of conduct
  - Disciplinary actions in case of breach, i.e. warning, dismissal, zero tolerance policy
  - Compliance system is certified/audited/verified by third party, please specify: We have several compliance control tools in place. Nestlé Group Audit (see presentation in reference), KPMG (see p.21 of our Nestlé Corporate Business Principles) As part of the Nestlé Environmental Management System (NEMS), internal audits are conducted to assess compliance with legal and internal environmental requirements. Specific environmental surveys are conducted from our international head-office on a periodical basis to identify possible gaps, existing or foreseen, and close or prevent them. Besides, a procedure is in place to report systematically cases of non-compliance to national and international head-offices together with related corrective action plan. In addition, plants may be ISO14001 certified by 3rd party. The same exists for health and safety at work as part of the Nestlé Occupational Safety and Health management system and for food safety and quality as part of the Nestlé Quality System. Plants may be OSHAS 18001 and ISO 9000 certified

by 3rd party. CARE, a group-wide audit initiative launched in 2005, aims through independent external auditors at verifying that our operations comply with local legislation and with Nestlé Corporate Business Principles in the areas of Health & Safety, Labor standards, Business Integrity and Environment (see attached Executive Summary and Audit Report template). Section 14 of the Code of Business Conduct asks employees to report any practices or actions believed to be inappropriate under the Code or illegal. Those reports should be made to line management, the HR, Legal or Compliance function. Section 14 further states that such complaints, if appropriate, may be made directly to higher levels, including the Group's Chief Compliance Officer and/or Chief Executive Officer. Depending on the nature of the complaint, Nestlé will assign the investigation internally or externally. If assigned internally, it will constitute a case handling team which will investigate the complaints and propose a mode of resolution. Nestlé believes in transparency, promotes an environment of open communication and condemns any form of retaliation against employees who make a report in good faith. Accordingly, employees are encouraged to bring complaints to the attention of their line management, the HR, Legal or Compliance Function. All of the aforesaid are fully aware of the need to treat any such complaint with the highest possible level of confidentiality. Moreover, Nestlé recognizes that employees may in some instances feel uncomfortable to file complaints openly. The Company respects such need or perceived need for anonymity and therefore provides employees with the opportunity to make complaints on a confidential basis or through employee hotlines. For investigation purposes, Nestlé will not distinguish between reports filed openly and those filed on a confidential basis.

- No such systems/policies in place
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

Corporate Governance and Compliance at Nestlé  
 Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 9, 12 & 16  
 Compliance with Nestlé Corporate Business Principles  
 Nestlé Group Audit: Creating shared value through Compliance with Nestlé Corporate Business Principles  
 Code of Business Conduct  
 CARE Executive Summary  
 CARE Audit Report



20. Please indicate which of the following aspects are covered by your anti-corruption and bribery policy at a group level (including subsidiaries). Please refer also to the helptext in the information button. Please attach references.
- Bribes in any form, including kickbacks, on any portion of contract payments or soft dollar practices
  - Direct or indirect political contributions
  - Political contributions publicly disclosed. Please attach supporting documents and/or indicate web address:\_\_\_\_\_
  - Charitable contributions and sponsorship
  - Charitable contributions and sponsorship publicly disclosed. Please attach supporting documents and/or indicate web address:\_\_\_\_\_
  - Group-wide anti-corruption & bribery policy to be implemented within the next\_\_\_\_\_months
  - No anti-corruption & bribery policy
  - Not known
  - Not applicable. Please provide explanations in the comment box below.

*Comment:*

*References:*

Code of Business Conduct

2009 Code of Business Conduct, page 6



21. Please indicate the percentage of coverage of your codes of conduct and anti-corruption and bribery policy relative to the total number of:

- Employees group-/worldwide: 100%
- Contractors/Suppliers/Service providers: 100%
- Subsidiaries: 100%
- Joint ventures: 100%
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

Code of Business Conduct  
The Nestlé Supplier Code  
Corporate Business Principles



22. Does your company publicly report on breaches (e.g. number of breaches, cases etc) against your codes of conduct/ethics and anti-corruption and bribery policy? Please attach documents and/or web address.

- Yes, please refer to the document(s) attached: \_\_\_\_\_
- No
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

As we believe that statistics can be misinterpreted, Nestlé fully focuses on investigating, handling and resolving any potential issues, while prohibiting retaliation against the reporting party (if applicable) and at the same time protecting the rights of any incriminated person.



23. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company. Please disregard the reference and comment button. Please press "save+next" to proceed to the next question.

*Comment:*

## Customer Relationship Management

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24. Does your company monitor and set quantitative targets to improve customer satisfaction and are targets and results communicated externally? Please attach documents.

Answer

	Unit	2005	2006	2007	2008	Quantitative target for 2008	Explanation of trend and performance against target
Customer							

satisfaction							
--------------	--	--	--	--	--	--	--

- Results are communicated externally. Please attach documentation.
- Customer satisfaction is not monitored
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

We distinguish between CUSTOMERS (retailers, distributors, food service operators) & CONSUMERS (individuals consuming/using our products). We also consider SHOPPERS as the point-of-purchase customer with needs/preferences influencing purchase decisions. We set targets to continually improve in delighting customers, consumers & shoppers. All are managed on a local basis with the benefit of global policies, standards, tools & reporting. CUSTOMERS: Foundational aspects of Nestlé's customer relationship management are found in the Nestlé Trade Policy including principles of reciprocity, transparency, added-value & fairness. Complementary to local KPIs, our Winning with Customers initiative (applicable to all businesses & markets) has 5 KPIs linked to satisfaction: (1) Performance rankings from customer feedback via the Advantage Group survey (sample view attached); ongoing industry scorecard covering approx 20 markets tracking e.g. business relationships, promotion practices, customer service. Results are reviewed locally & globally for actions & target setting. Where this survey is not available, management engages other 3rd party surveys & assessment processes; (2) Sales. Per the Nestlé Model we seek annual organic growth of 5-6%. We rigorously set & track sales levels on an account basis. Our Group Customer Reporting tool (overview attached) provides analysis covering 67 international customers across 72 markets. Target includes growth 20% ahead of our Top 10 customers' own growth; (3) Greater trade spend effectiveness through increased emphasis on Joint Business Planning, category leadership, marketing mix & sales analytics. Target -50 basis points; (4) Improve customer service fill rates; min. 98% performance; (5) Improve capability practice levels (min. 4.3% improvement for Sales) assessed by 20/20 Vision tool (sample dashboard attached); 160 dimensions related to serving/satisfying consumers, shoppers & customers. Top-to-Top meetings between Nestlé & customer executives help find additional areas for collaboration. E.g. we will host Wal-Mart as part of their learning in international management. SHOPPERS: In addition to research, involvement in trade associations & collaborating with retailers, Nestlé draws on our Shopper Insight Toolkit & Workshops to equip ourselves with insights on shopper motivations, needs & other purchase influencers. E.g. Nestlé Canada conducted research into convenience trip shoppers to set metrics & improve this part of their business. Purina segmented their shopper base to understand & set direction to better satisfy needs. CONSUMERS: CONNECT is our integrated consumer relations solution including best practice guidelines (attached), Care Centres, websites, on-line communities, direct mail & e-mail campaigns aiding in tailored consumer services for better consumer understanding, loyalty & advocacy. Our Voice of the Consumer best practice approach (attached) allows markets to develop a dialogue & relationship with consumers. Feedback benefits our strategic planning & renovation/innovation process. It accelerates decision-making & minimizes sales losses. Additional support includes, e.g. various policies & standards including process for consumer contact handling (attached), 3rd party research on qualitative/quantitative performance of consumer services (e.g. satisfaction with call handling). Results are reported in absolute numbers & in comparison to other companies. A standard measure of Nestlé's Corporate Equity has run annually since 2007 in our top 20 markets, as well as in other markets as part of local research. A common set of attributes is assessed including brand awareness, quality, value, & corporate social responsibility (Methodology & summary of latest global results attached). Annual business planning & campaign management includes engagement & satisfaction targets such as consumer calls, corporate/brand websites visits, Nespresso club membership orders, sales & market share.

**References:**

Advantage Group survey sample view  
 2020 Vision Capability Assessment - Sample Dashboard  
 Corporate Equity Monitor Global Summary Report 2008  
 Group Customer Reporting overview  
 Voice of the Consumer Best Practices  
 Contact Handling Best Practices Guidelines  
 Corporate Equity Monitor (CEM) Guidelines 2009



25. What approaches does your company use for integrating customer feedback?

- Company-wide harmonized customer database, including marketing, order, fulfillment and customer service history
- Free 7 days/ 24 h feedback possibilities via internet, phone or mail (please indicate where to find):[have also referenced Best Practices in Care Center reporting and Contact Handling here](#)
- Integration of feedback into product/services development
- Customers' complaints feedback to compliance officers and/or risk managers and/or communication officers
- Independent person or department in charge of solving customer complaints such as customer advocate or corporate ombudsman, please indicate name:\_\_\_\_\_
- No such approaches
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

Per question 24, we distinguish between Customers & Consumers (incl. Shoppers). Here are highlights on how we gather/strategically integrate feedback from each. Customers: # Sales tracking, annual joint planning & category reviews with accounts # Advantage Group Performance survey # comments & attachment in question 24 # In-store calls & store management feedback # Nestlé Professional sales calls & websites serving professional chefs & food service operators # Nespresso B2B sales & contact points including web # Top-to-top executive meetings # Customer perspectives at internal meetings, e.g. Tesco Director of Sustainability at our Global Operations Environment conference. Feedback is integrated on an ongoing basis at local, zone & global levels to drive continuous improvement. In addition to our SAP GLOBE IT system, customer feedback integration points include: # Sales target-setting cycles # Account planning process # Global Customer Steering Committee sessions # Key Market & Sales Directors Conferences, regional sales forums # Executive Board updates on Winning with Customers initiative including progress on global KPIs. Consumers: As a consumer-driven company it is essential we understand needs & preferences of consumers. Beyond one-way feedback, we seek to have relationships with consumers. We address this across all consumer touch points. Since 2006, all product packaging has featured a nutritional "compass" which invites contact with Nestlé via a toll-free number, mail or web (see Wellness in Action Guidelines attached). The widespread application of the Nestlé Nutritional Compass & contact details highlights the importance we place on consumer feedback as well as sharing nutritional information as part of building consumer trust, satisfaction & loyalty. Incremental to on-pack efforts, corporate & brand communications encourage feedback, eg: # web sites feature #contact us# options # Digital/mobile phone outreach # On-line forums/fan clubs In 2007 we started rolling out CONNECT, our integrated consumer contact platform. All but 2 markets in Zone Americas have moved to this platform allowing local, regional & global reporting. Consumer service has improved from this information integration. It is supported by standard approaches including: # Voice of the Consumer reporting (guidelines attached) # Guidelines for managing a crisis (attached) & escalation procedure. Our Consumer Services team handles about 20 millions consumer contacts each year. Insights shape many aspects of our business including: # R&D # Brand management & new product launches # Consumer messaging & campaign elements Even before we develop & launch new products, we glean & integrate consumer input to ensure products met & exceed consumer needs, e.g.: # Insights from research partners # Perspectives from suppliers in specialized areas (e.g. flavour vendors) # Qualitative & quantitative consumer research (governed by research guidelines) # 60/40 & 60/40+ testing (defined methodology & KPIs) # New product testing & simulated test markets # Collaboration with customers on shopper/consumer insights Part of gathering consumer feedback is effective engagement, revolving around how consumers use & enjoy our products. We invest significantly in developing & making recipes available. E.g. the Maggi Kochstudio in Germany provides cooking advice via hotlines & recipes that can be used on supermarket shelves. Shoppers: Increasingly important feedback - we deploy several means to integrate this into our plans. Key sources include: # Care Centre insights # Nestlé#s or via collaboration with retailers # Shopper observation/tracking &/or via journals # Nielsen Household Panel data reflecting purchases Markets & business teams leverage the data as part of Workshops & related category/brand planning. Our shopper insight strength position us well with retailers to serve as category champions

**References:**

Wellness in Action for Care Centers  
 Contact Handling Best Practices Guidelines  
 Voice of the Consumer Best Practices  
 Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 7 to 10



26. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company. Please disregard the reference and comment button.

Please press "save+next" to proceed to the next question.

*Comment:*

## Brand Management

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27. In order to strategically manage your brand(s) does your company (please provide supporting documents):

✓ Answer:

- ✓ Conduct a 360 degree feedback process (including suppliers, customers, employees, etc) at least on a yearly basis
- ✓ Integrate the received feedback into the company strategy
- ✓ Have a clearly defined branding process
- ✓ Link brand metrics to financial performance
- ✓ Assign explicit centralized responsibility, with direct link to top management, for the tracking and analytics of the brand metrics
- ✓ Benchmarking of brand/s with peer group
- ✓ Other, please specify: Corporate Equity Monitor Global report, Brand Equity guidelines and dashboard, Brand Building the Nestlé Way Brand Dashboard
- None of the above pursued
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

As part of strategically managing our corporate brand (Nestlé) & product brands\*, we manage a rigorous set of policies, guidelines, processes & tools. \* #Billionaire brands# (annual sales of >CHF 1 billion) account for ~ 70% of our Food & Beverage sales. Brands include recognized names such as Nescafé, Milo, Nesquik, Nespresso, Nestea, Coffeemate, Carnation, Maggi, Buitoni, Stouffers, Herta, Hot Pockets, Lean Cuisine, Kit Kat, Dreyer's, Gerber & Purina. See brand URL attached. The following is a sample of our activities: # 360-degree feedback # sought from all stakeholders including employees, customers, consumers, as well as outside institutions/peer assessment processes. Eg: o Bi-annual #Nestlé & I# employee survey o Bi-annual 20/20 Vision functional capability assessment survey (sample dashboard attached) o Annual customer feedback/satisfaction survey via local & global Advantage Group surveys o Annual Corporate Equity Monitor consumer survey (guidelines and summary report attached) o Ongoing tracking & reporting from our Care Centres & Voice of the Consumer o Twice-annual APRAIS feedback process with communication agencies (overview attached) # Integrating feedback into company strategy # leveraged into all aspects of our strategy & performance metrics including our longer term Roadmap, Strategic & Performance Framework, Global Business Strategies, annual Market Business Strategies, functional plans, account plans, brand plans, & through to aspects such as packaging strategies # Defined branding process # Nestlé has a clearly defined process which is a part of GLOBE & Integrated Commercial Planning, a detailed step-by-step process for developing brand strategies & plans using standardized templates & supporting tools. The brand planning process is clearly integrated & aligned with the other marketing & sales processes such as trade



channel planning, customer planning, field sales planning & distribution planning. Nestlé is further enhancing brand management through the roll out of Brand Building the Nestlé Way (BBNW - the successor of Brand Management the Nestlé Way) which identifies the actions needed to win in understanding the consumer deeply, inspiring with brand vision & essence, delighting with product experience, innovating bigger, bolder & better, creating engaging brand experiences, planning & executing flawlessly & winning with shoppers. # Linkage of brand metrics to financial performance # Nestlé links brand metrics to financial performance through marketing ROI & brand equity performance to sales, market share & profit performance (see question 29 for more details). These are summarised in a BBNW dashboard (attached). # Benchmarking of brand(s) with peer group # At the corporate level & for major strategic brands, we take a consistent, disciplined approach that includes use of our Corporate Equity Monitor (methodology attached) & Brand Health Tracker (guidelines and simulated dashboard attached), supported by Nielsen & IRI measuring sales to consumers at retail-level. This is complemented with Consumer/HH Panel information on purchases. We also participate in Environics & GlobeScan surveys which measure corporate reputation amongst different stakeholder groups. Incrementally & for product brand comparisons, we: o Benchmark taste preference & performance through 60/40 and 60/40+ (nutritional benefit) testing (60/40 and pref testing guidelines attached) o Assess market & competitive activity based on perspectives & reports from our communication agencies, top 10 global market research agencies, & 10 preferred consulting partners o Do packaging benchmark studies o Benchmark the performance of our TV advertising before airing, primarily with Millward Brown o Do additional benchmarking via ad hoc research, information or analyses provided by our Global Information Services providers (e.g. Euromonitor, Datamonitor, GNPD Mintel, Reuters Business Information, MVI, Planet Retail)

**References:**

Corporate Equity Monitor Global Summary Report 2008  
60/40 testing guidelines  
Comparative product profiling guidelines  
APRAIS 360-degree agency feedback tool / process  
Brand Health Tracking Guidelines  
Brand Health Tracking Dashboard  
Brand Simulated Dashboard  
2020 Vision Capability Assessment - Sample Dashboard  
Corporate Equity Monitor (CEM) Guidelines 2009



28. How does your company determine the return on brand asset/investments or brand value? Please provide supporting documents or indicate website: \_\_\_\_\_

- Cost-approach
- Market approach, i.e. value estimated based on actual market transactions
- Income approach, i.e. net present value of brand (NPV) of forecasted brand earnings, discounted by the brand discount rate
- Return on brand investment, i.e. ROBI
- Other method, please specify:

Determining the return on the brand investments and optimizing this return is supported in a number of ways at Nestlé. We support and optimize our brand investments during planning and again during and after execution when we measure the business impact of these investments. All brand investments are planned, managed and reported through Nestlé's GLOBE SAP systems. Brand Performance and Brand Health objectives are chosen and KPIs are tracked through reporting, the Brand Health Tracker and the Brand Dashboard (documents attached). Market Mix Modeling is used selectively within the organization to measure the return on brand investments and to optimize future planning. Several tools are used to support the planning of our brand investments, and thus optimize their return. At Nestlé, we leverage supplier tools such as Touchpoints, Connections & RCQ, to evaluate the performance of different contact points across the three dimensions of Reach, Cost and Quality (document attached). These tools provide a common basis for comparison enabling the optimization of contact point plans, improving the efficiency and effectiveness of our brand investments and thus optimizing their return. We are currently creating a platform to harmonize and organize the output of these tools and other studies from across our organization in order to leverage and share the learning across the Group.

These shared learnings will help us to more fully understand the business impact and the return on our brand investments in all markets and for all categories.

- No brand value calculation
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

Brand Health Tracking Dashboard  
Brand Health Tracking Guidelines  
Touchpoints Guidelines

## Strategy for Emerging Markets

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29. Please indicate your company's percentage of revenues generated in emerging markets compared to total corporate revenues. Please attach your company's business development strategy for emerging markets.

✓ Answer:

Year	2005	2006	2007	2008	Target 2009	Explain trend and target 2009
Revenues	30%	30%	35%	35%	35%	There is no specific target on growth in "emerging countries"; the overall company growth target is split down into zones, countries and businesses. In general, emerging markets show higher than ave...

- Company operates only on local or national level.
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

Nestlé has long been present in developing markets, even during periods of political unrest. In 2008, Nestlé business in emerging markets represented approximately 35% of Nestlé's overall business. Please find as a reference a presentation on Nestlé's strategy on Popular Positioned Products. The countries considered as emerging markets can be found in the reference button ( see excel file called " GLOBE implementation coverage of emerging markets " ---> sheet " list of emerging markets " )

*References:*

PPP Presentation  
GLOBE Coverage of Emerging Markets  
Emerging Markets, Press Release June 9th 2009  
Emerging Markets, Example Presence in South Asia  
Emerging Markets, Internal Communication 13th June 2009



30. Please indicate your company's target for the maximum percentage of expatriate employees working in emerging markets.

✓ Answer

Category	Percent of expatriate employees
executives/top managers	N/A %
middle/general managers	N/A %
firstline supervisors	N/A %
specialist groups	N/A %

- Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

As a general line, our policy is to DEVELOP LOCAL MANAGEMENT into SENIOR EXECUTIVE MANAGEMENT. The maximum percentage of expatriate employees varies according to the stage of development of the market for Nestlé. While we do not set a specific target we aim to promote a majority of locals in management teams, as soon as local management and technical skills of the right level can be sourced. At the end of 2008, on a worldwide basis, local management Committee members native to country in developing countries represent 42% of local management. Furthermore, we provide INTERNATIONAL CAREER DEVELOPMENT for talent from emerging markets and also provide experience of emerging markets to people from other parts of the world. Expatriates are used to TRANSFER TECHNICAL AND MANAGEMENT KNOWLEDGE from the Nestlé group to local entities. EXPATRIATION IS A TWO-WAY PROCESS, as many employees from emerging markets also work in developed markets, sharing and acquiring different sets of skills in the process. In 2008, 173 (39%) of all expatriates in Nestlé's Swiss Headquarters and central functions were from emerging markets. In the same year, 63% of expatriates from Switzerland Headquarters were in developing countries. Please also link above comment to the answer given in question N°31.

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 7 & 8  
 Management Report 2008, page 15, 32 & 33  
 Nestlé commitment to Africa, page 34 to 37  
 Creating Shared Value, page 22  
 Faces of coffee, page 43  
 Nestlé concept of corporate social responsibility LatAm, page 33 to 37



31. How does your company ensure the transfer of knowledge, skills and technology from headquarters to its emerging markets operations? Please provide supporting documents.

✓ Answer:

- ✓ Implementation of standardized information systems and technology; Implemented for 96 % revenues of total Emerging Market revenues.
  - ✓ Implementation of shared processes including business excellence best-practices; Implemented for 96 % revenues of total Emerging Market revenues.
  - ✓ Implementation of data standards and data management; Implemented for 96 % revenues of total Emerging Market revenues.
  - ✓ Headquarter responsibility for management skills training for local top & middle management level, please provide supporting documents.
- No systematic knowledge transfer approach in place  
 Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

Emerging Markets (EM) benefit as any other market from the WORLDWIDE KNOWLEDGE AND TRAINING NETWORK of Nestlé. At Corporate level, NESTEC (Worldwide HQ Technical Assistance to Nestlé Operating Companies in the countries) ensures the adequate knowledge transfer from HQ to the Markets. Nestec covers all functions & categories of our businesses: Marketing & Sales, Procurement, Supply Chain, Technical & Production, R&D, Finance & Control, Human Resources, IS/IT... More than 3000 people work for Nestec. All people around the world can access information and knowledge on NESTEC INTRANET and the various REPOSITORIES. The IS/IT GLOBE project is now largely implemented across all Nestlé business operations and is based on 3 pillars: DATA STANDARDISATION; implementation of BEST PRACTICES; implementation of a STANDARD INFORMATION SYSTEM (SAP). In April 2009, GLOBE implementation in EM was 96% of NPS (see detailed calculation in reference). TRAINING & DEVELOPMENT actions are in place at various levels (Market, regional and global) to ensure that Nestlé people has the right understanding, skills, capabilities and behaviours to perform their jobs effectively and according to Nestlé standards. Nestlé Training & Development offering comprehends: - ON-THE JOB TRAINING, by far the fundamental element of training at Nestlé, ensuring hands-on experience in developing skills. This learning process is facilitated through: LINE MANAGERS as the first employee trainer. SUPER-USERS, subject matter experts dedicated (part or full time) to teach their colleagues on the use of best practices and SAP transactions related to employee#s working processes. MENTORS, informal approach to learn from more experienced people within the same working site. - The TRAINING DEPARTMENT in every Market runs an annual training programme designed to close performance gaps that have been detected through a training needs assessment based on the PROGRESS & DEVELOPMENT GUIDE (PDG) process ( for more details on PDG process, please see Q77 to 79). - Through E-LEARNING PROGRAMMES, EM have access to the same learning curriculum and they are following the same pattern of education as other countries. Among hundreds of general e-courses offered at global level on all functional areas available in 5 languages, there are 247 especially developed for Nestlé. - INTERNATIONAL WORKSHOPS are organized by Corporate Functions at Headquarters, aimed at consolidating/improving participants' knowledge and/or skills in an area of existing expertise. - In 2008, NESTLE "RIVE REINE" INTERNATIONAL TRAINING CENTER in Switzerland offered 90 programs (one or two weeks duration each) to which 2539 employees from all over the world attended. 53% of those participants came from EM. Out of the 90 programs, 44 took place at Rive-Reine itself and 46 were decentralized in various Markets, 29 of which were delivered in emerging markets, whereby several of their local managers also play the role of instructors/speakers, emulating the spirit of Rive-Reine courses where 75% of speakers are internal experts from Headquarters including all members of the Executive Board. - In 2008, 70 managers followed a PROGRAMME at IMD, our preferred business school in Switzerland. 21 of them came from EM. At local level, 23 markets (from which 10 EM) use other business schools. In addition to our global technology platform and training programs, Nestlé uses INTERNATIONAL TRANSFERS AND PROJECTS extensively to exchange knowledge and skills. As noted in Q30, 39% of expatriates at the Centre HQ are from EM while 63% of expatriates from Switzerland are assigned to EM. In addition, we use SHORT TERM MISSION ASSIGNMENTS of 6-12 months duration. Those missions are currently essentially driven by the NCE ( Nestlé Continuous Excellence Program ) but not only. In 2008, 38% of these missions assignments in Vevey were from EM.

#### References:

HR Performance through People, J-M Duvoisin - June 2008, page 7 to 19 & 31 to 34  
 Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 10, 12 to 18, 22 & 23  
 Training International Rive Reine Program 2009 2010, page Summary  
 Progress Development Guide  
 Performance Evaluation  
 People Development Review Nestle, page 6 to 30  
 Nestlé Human Ressource Policy, page 11 to 13  
 Corporate Business Principles, page 11 to 12  
 Management Report 2008, page 32, 33 & 46  
 GLOBE Coverage of Emerging Markets, page 1  
 Nestlé Research The Engine for Nutrition, Health and Wellness, page 34  
 Innovating the Future, page 6, 8,9,10 & 14  
 Corporate Management Development & Sourcing, page 7 to 23  
 Nestlé commitment to Africa, page 24, 34 to 37  
 Nestlé concept of corporate social responsibility LatAm, page 33 to 38  
 Creating Shared Value, page 20 to 25  
 Nestlé Management & Leadership Principles, page 9

Emerging Markets, Internal Communication 13th June 2009  
Emerging Markets, Press Release June 9th 2009  
Emerging Markets, Example Presence in South Asia



32. Does your company develop and produce Emerging Markets specific products that meet basic local needs? Please give examples and attach/provide supporting documents.

- Yes, applied for \_\_\_% of product lines compared to total product lines sold in emerging markets
- Yes, implemented on ad-hoc basis. But no figures available
- Not yet, but planned by year \_\_\_\_\_
- No
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Yes, these Popularly Positioned Products (Creating Shared Value Report, p. 44; Management Report 2007, p. 2 & 42) amounted to CHF 5.5 bio. in 2008 and were growing at 25%. Nestle's strategy to grow AT THE BOTTOM OF THE PYRAMID in emerging markets is about innovative concepts with relevant and appropriate products, meeting the needs of the lower level income groups in terms of nutrition requirements, pack sizes, price points, distribution and communication solutions. Over 500 initiatives have been undertaken in 2008 (increased 80% from 2007) at the local level to meet these needs of the emerging consumer, and for the past 15 years this opportunity has been addressed and supported on a global basis, combining local initiatives to reach economies of scale. The company has given a special focus on growing through PPP products to help both emerging and developed markets given the current recession times. Product examples targeted specifically at emerging consumers include: - An affordable, nutritious growing-up milk launched in several countries, developed to bridge the gap of the biggest nutrient deficiencies of children in emerging markets. For example, Bearbrand Instant powder milk from the Philippines, enhanced with iron, vitamin A, Iodine, vitamin C and zinc is sold at only 8 pesos per serving (sachet of 26gram, 0.17 US\$) and widely available in traditional neighborhood stores (see reference 1). - All family cereal porridge in various countries in Central and West Africa, For example Golden Morn in Nigeria which provides energy, protein, calcium and fibres and is sold at an affordable price (index of 80 versus main competitor, NASCO) (see reference 2). Golden Morn has also been introduced in Ghana and Ivory Coast and will be introduced in 3 other African markets later this year. - Nestum all family cereal from Malaysia, sold only in traditional outlets, fortified with vitamins and minerals in line with Malaysia nutrition plan. Sold at less than 0.40US\$ per serving (see reference 3) An example of an initiative across all areas of the value chain can be found in Brazil, where a new factory in Feira de Santana is primarily dedicated to the manufacturing, packaging, and distribution of emerging market products, aimed at the 50 million consumers in the north east of Brazil (see press release, reference 4 and 5). This factory has created 2000 direct and indirect jobs in this economically-deprived region of Brazil. Apart from the development, manufacturing and marketing of products targeted to emerging markets, Nestle is also focusing attention to the promotion of good nutrition in deprived areas in these markets. Nutromovil, a mobile nutrition unit in Peru visits consumers near their home giving advice on nutrition and diet. Similar concepts have been developed in various countries in Latin America, among which Peru, Chile, Venezuela, Colombia, Mexico and the Dominican Republic (see reference 6).

**References:**

Rainbow update  
PPP Presentation, page 24,34,40,48,54  
Creating Share Value 2009  
Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 8 to 10  
Emerging Markets, Example in India, the Right Price Point



33. At which organizational level does your company develop the pricing strategy for emerging markets products? Please attach/provide relevant documents on the pricing responsibility.

- Answer:

- Corporate level
- Regional level
- Country level
- No explicit pricing strategy for emerging markets
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Nestle has developed a general policy regarding the opportunity in emerging markets, laid down in a set of guidelines addressing 3 levers: # acceptability # affordability # availability The 2nd guideline, affordability, addresses the pricing strategy of products in emerging markets: # The price point has to be entirely driven by consumer value and consumer insights # Pricing of products targeted to the low income consumers should not only be relative to the price of other available food products, but each product should be priced in relation to a household's total disposable cash and consumption priorities. The final local pricing decision is taken at Market Head level and is driven mainly by consumer and shopper insight. However, we believe that affordability must be made without compromise to quality and is only a first step towards designing products that meet the needs of emerging consumers.

**References:**

PPP Policy  
 PPP Presentation  
 Emerging Markets, Example in India, the Right Price Point



34. Does your company measure local purchasing power of low income consumers (<10 USD/day) to ensure affordability of your products? Please provide documents which support your answers.
- Yes, applied for 100% of Emerging Market countries compared to total number of Emerging Markets countries where company is present
  - Yes, implemented on ad-hoc basis but not systematically
  - Not yet, but planned by year \_\_\_\_\_
  - No
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Nestle uses several sources of information regarding purchasing power of the local market. Every market has access to the income-population distribution by country and other relevant data made available through the Nestle intranet. Additional local research is used to obtain insight in the purchasing power of the target group, low income consumers. This insight serves as the basis for developing of emerging markets specific products.

**References:**

PPP Presentation, page 17  
 Emerging Markets, Research and Analysis of households revenues and costs

## Innovation Management



35. Please provide us with the total R&D spending from 2006 to 2008 (as stated in the annual report)

	2006	2007	2008
<input checked="" type="checkbox"/> Total R&D spending (please indicate currency) CHF	CHF 1.73 billion	CHF 1.88 billion	CHF 1.98 billion

- Not applicable. Please provide explanation in the comment box below.

Not known.

*Comment:*

*References:*

The Nestlé Creating Shared Value report 2008, page 16



36. Please indicate the shares of R&D investments, average life-cycles, average success rates, and KPIs for different innovation stages (please provide supporting documents where available). For further information please refer to the information box.

Share of R&D budget invested in (%)	Innovation stages	Average life-cycle of each innovation stages (in years or months); a differentiation between subsectors is possible	Average success rate (surviving projects or ideas when moving from one stage to the next)	Please indicate a maximum of 3 key performance indicators used to measure each stage
Core Research			1) Core Research/ Ideation	
	Core Research (no direct or immediate commercial benefits)		<input type="radio"/> 0-25% <input type="radio"/> 26-50% <input type="radio"/> 51-75% <input type="radio"/> 76-100%	
Ideation			2) Ideation/Development	
	Idea generation		<input type="radio"/> 0-25% <input type="radio"/> 26-50% <input type="radio"/> 51-75% <input type="radio"/> 76-100%	
Development			3) Development/Launch	
	Product Innovations (products new to the company, excl. env. and social innovations)		<input type="radio"/> 0-25% <input type="radio"/> 26-50% <input type="radio"/> 51-75% <input type="radio"/> 76-100%	
	Product Optimizations (of already commercialized products, excl. env. and social innovations)		<input type="radio"/> 0-25% <input type="radio"/> 26-50% <input type="radio"/> 51-75% <input type="radio"/> 76-100%	
	Process Innovations (processes new to the company, excl. env. and social innovations)		<input type="radio"/> 0-25% <input type="radio"/> 26-50% <input type="radio"/> 51-75% <input type="radio"/> 76-100%	
	Process Optimizations (of already operational processes, excl. env. and social innovations)		<input type="radio"/> 0-25% <input type="radio"/> 26-50% <input type="radio"/> 51-75% <input type="radio"/> 76-100%	
	Environmental Innovations		<input type="radio"/> 0-25% <input type="radio"/> 26-50%	

			<input type="radio"/> 51-75% <input type="radio"/> 76-100%	
	Social Innovations		<input type="radio"/> 0-25% <input type="radio"/> 26-50% <input type="radio"/> 51-75% <input type="radio"/> 76-100%	
Launch				
	Product Commercialization or Process Implementation			
Post-Launch			Post-Launch	
	Project Monitoring and Evaluation. Return on innovation spending , Voice of Customer Analysis; Post mortem analysis: evaluation of development process etc.		Share of products/processes still existing 3 years after the launch%	
Total: 100%				

✓ Not applicable. Please provide explanation in comment box below.

○ Not known.

**Comment:**

Nestlé allocates its R&D resources in general as follows: 25% for Basic Science and Research, Ideation, Conceptualisation and Competence building, 50% for Product and Process Development and 25% for industrialisation and fast deployment. For all the innovation projects, we follow a strict STAGE GATE PROCESS, we do allocate specific resources to the individual phases but these will vary according to the different projects. Our Product innovations include: 1) MANUFACTURING PROCESSING & PRODUCT OPTIMIZATION for NUTRITION, e.g. Renovated products for nutrition or health considerations (number of renovated products) 6, 254; Increase in nutritious ingredients or essential nutrients (number of renovated products) 3, 068; Reduction of sodium, sugars, TFAs, total fat or artificial colourings (number of products) 3, 186; Cumulative reduction in sugar (tonnes): January 2003 to December 2007 290,000 ; Cumulative reduction in salt (tonnes): April 2005 to December 2007 6,800; Products meeting or exceeding the Nestlé Nutritional Foundation profile (67% of sales). 2) PROCESS & ENVIRONMENTAL INNOVATIONS include ways to reduce water, energy and packaging material consumption and CO2 emissions reductions (Management Report 2008 page 76). 3) SOCIAL PROCESS IMPROVEMENTS, which include Popularly Positioned Products: Europe (sales volume, CHF million) 782; Americas (sales volume, CHF million) 1, 910; Asia, Oceania and Africa (sales volume, CHF million) 2, 707.

**References:**

R&D Creating Value from Investment in Science and Technology, W. Bauer - June 2008, page 5  
Management Report 2008, page 76

The Nestlé Creating Shared Value report 2008, page 0 (Performance Summary)

Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 8, 10, 12 to 14 & 18



37. Please indicate the processes implemented within each innovation stage (please provide supporting documents)



Innovation stage	Project monitoring and evaluation tools
Core Research	<ul style="list-style-type: none"> <li>✓ Market research (including Voice of Customer Analysis)</li> <li>✓ Business case</li> <li>✓ Technical feasibility study (Proof of Concept)</li> <li>✓ Manufacturing feasibility study</li> <li>✓ Environmental impact assessment</li> <li>✓ Alignment of project with corporate strategy</li> </ul>
Ideation	<ul style="list-style-type: none"> <li>✓ Market research (including Voice of Customer Analysis)</li> <li>✓ Business case</li> <li>✓ Technical feasibility study (Proof of Concept)</li> <li>✓ Manufacturing feasibility study</li> <li>✓ Environmental impact assessment</li> <li>✓ Alignment of project with corporate strategy</li> </ul>
Development	<ul style="list-style-type: none"> <li>✓ Market research (including Voice of Customer Analysis)</li> <li>✓ Business case</li> <li>✓ Technical feasibility study (Proof of Concept)</li> <li>✓ Manufacturing feasibility study</li> <li>✓ Environmental impact assessment</li> <li>✓ Alignment of project with corporate strategy</li> </ul>
After Launch (e.g. 1 year after the launch)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Return on innovation spending</li> <li>✓ Voice of Customer Analysis</li> <li>✓ Post mortem analysis: evaluation of development process</li> </ul>

- Not applicable. Please provide explanation in comment box below.
- Not known.

**Comment:**

CORE RESEARCH is carried out at the Nestlé Research Centre and is based upon a thorough business alignment, validated at EBM (Executive Board ) level. It is adjusted both across the whole group strategy and for individual business categories. The CORE RESEARCH is captured and leveraged through the following worldwide networked organisation: - 1 Nestlé Research Centre ( NRC ) based in Lausanne - 26 R&D Centres and PTCs (Product Technology Centres) world-wide - 280 Application Groups situated around the world (often in Nestlé factories ) in conjunction with the Nestlé Operating Companies and Joints Ventures. A summary of the processes implemented in each innovation stage is provided at <http://www.nestle.com/NestleResearch/OurVision/ProductPipeline.htm>

**References:**

Innovating the Future, page 6-17

Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 8, 10, 12 to 14, 17 & 18



38. What structures and mechanisms are in place to promote and evaluate the innovation process (not yet mentioned above) e.g. management tools, formal innovation management systems and incentive schemes?

- ✓ ✓ Responsibilities and reporting lines systematically defined
- ✓ Formal R&D and innovation committee in place
- ✓ Platforms provided to support innovation process (e.g. specific intranet, dedicated meetings, time slots for "rock turning projects", brown bag seminars)
- ✓ Incentive schemes and awards provided to employees with innovative ideas (e.g. engagement scorecard linked to remuneration)
- ✓ Tracking number of patents/patent families registered globally

- Tracking number of publications by own researches in peer-reviewed journals/conferences
- Other, please specify: [See comments](#)
- No such mechanisms/systems
- Not applicable. Please provide an explanation in the comment box below
- Not known.

**Comment:**

Across its business, Nestlé has put a broad range of additional procedures in place to promote innovation, including - Innovation pipeline process, continuously fed by R&D, applied to all businesses and for all business models, - Portfolio analysis and management, - A range of business and strategy alignment tools, - Business tracking of key projects - Innovation KPIs monitored and measured - Assessment of level of innovation/renovation by business Published research is tracked and made available eg [http://www.research.nestle.com/innovations\\_publications/Publications/](http://www.research.nestle.com/innovations_publications/Publications/)

**References:**

R&D Creating Value from Investment in Science and Technology, W. Bauer - June 2008, page p21-24  
Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 7, 12 & 18 to 23



39. Please describe how your company feeds external changes into the innovation process e.g. deriving from new regulations, technological shifts, structural changes within a sector (please provide supporting documents)?

- [Tracking of scientific publications, including patents. Open Innovation. Regulatory Affairs Department activities \(see comments\)](#)
- Not applicable. Please provide an explanation in the comment box below
- Not known.

**Comment:**

Research findings, Competitive and Scientific Information and Intelligence as well as the latest news on food, nutrition, health and wellness is disseminated across the entire Nestlé R&D community and businesses.

[http://www.research.nestle.com/structure\\_network/scientific\\_departments/Nutrition\\_and\\_Scientific\\_Support.htm](http://www.research.nestle.com/structure_network/scientific_departments/Nutrition_and_Scientific_Support.htm)

To co-develop innovation with partners and produce value for consumers and customers, Nestlé utilizes open innovation, new business models, trust and goodwill, and the mindset of sharing is winning. Nestlé Nutrition Council is composed of internationally renowned nutrition scientists. The Council aims to review current and developing nutrition issues and to advise senior management on their impact upon Nestlé policies and strategy. Over the last decade it has examined issues such as diabetes and childhood obesity and has reviewed Nestlé policies on the reduction of trans fatty acids, salt and sugar levels in food, as well as iron and other nutrient fortification.

<http://www.nestle.com/NestleResearch/GlobalRnD/OpenInnovationAndPartners/OpenInnovationAndPartners.htm>

The success of Nestlé and the Nutrition, Health and Wellness strategy is based on the ability to study and understand major trends in consumer expectations, be the first to implement the necessary improvements and lead changes in the market place. For example, while discussions continue among regulators about the best approach for food labelling, Nestlé has introduced the Nestlé Nutritional Compass, an on pack information panel that provides consumers with relevant, easy to understand nutrition information, empowering them to make informed decisions about the food they eat. By December 2008, the Nestlé Nutritional Compass appeared on product packaging representing 98% of our total sales volume around the world. Innovation involves many disciplines and areas of responsibility - therefore many sources of information. R&D is a core player, but shares the responsibility with marketing, manufacturing, supply chain, sales, finance, regulatory affairs, human resources and other functions.

**References:**

R&D - Creating Successful Innovation Partnerships Helmut Traitler  
Innovating the Future, page 12-14



40. Product innovations: please indicate revenues generated by your company in 2008, which can be allocated to the following product types. Please refer to the information box for further information.

	Share of Revenues	
Newly commercialized products or services* (launched after January 2006)		%
Significantly improved products or services** (launched after January 2006)		%
Unchanged or minimally changed products or services (since beginning 2006)		%
	Total: 100	%

- Not applicable. Please provide an explanation in the comment box below.  
 Not known.

**Comment:**

Nestlé focuses its innovation on the 4 main identified growth drivers (management report 2008 p.34 to 41). 1. Nutrition, Health and Wellness, 2. Emerging markets and Popularly Positioned Products (PPP), 3. Out of home leadership, 4. Premiumisation. However, Nestlé does not monitor revenues for R&D according to "newly commercialised", "significantly improved" or "unchanged" products. Examples of new and improved products according to Nestlé's growth drivers include 1. Nutrition, Health and Wellness: Probiotics are applied in products worth CHF 3 billion. In 2008, we assessed the nutritional profile of products with sales of CHF 13.6 billion. Sales of products carrying science-based Branded Active Benefits was CHF 5 billion in 2008, which is a 21% increase over 2007 (Page 26 Creating Shared Value Report 2008). Nestlé Nutrition, with sales of CHF 10.4 billion in 2008, has products and services that are all based on current science and research findings. Examples of science-based innovation in the Nestlé Nutrition business are provided on pages 40-47 of the Creating Shared Value Report 2008. 2. Emerging markets and PPPs: Sales of PPPs accounted for about 6% of Nestlé's food and beverage sales in 2008, with an organic growth of 27.4% in 2008. PPP strategy requires innovative business model that relies on local sourcing, local manufacture, and local distribution. 3. Out of home: In 2008, the out of home business had sales of CHF 6.2 billion, and 10,000 employees in 97 countries. 4. Premiumisation: Nescafé Dolce Gusto (launched in 2006) now has 33% global market share, sold over a million machines and capsule sales amounted to about CHF200 million in 2008.

**References:**

Management Report 2008, page p34-41  
 The Nestlé Creating Shared Value report 2008, page 26, 40-47, 62



41. Process innovations:

<input checked="" type="checkbox"/> Has your company introduced process innovations between 2006-2008?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
If your company has introduced process innovations between 2006-2008, have these process innovations substantially contributed to a reduction of the average cost of production?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
If yes, the cost reduction in 2008 have amounted to approx.	%

- Not applicable. Please provide an explanation in the comment box below  
 Not known

**Comment:**

Nestlé new efficiency initiative NCE (Nestlé Continuous Excellence) covers process innovation for manufacturing and packaging as well as other elements of the value chain. The programme

includes new best practices for manufacturing, people development and performance management, e.g. in manufacturing, innovative engineering technology improves production line efficiency and cuts manufacturing costs; innovative packaging is saving energy and resources. We have reduced the weight of bottled water plastic packaging by 19.6% per litre over the last five years. Some 700 standards are applied in our factories covering aspects including product quality, health and safety and the environment. NCE pilot results have shown its potency as well as the scale of opportunity: Waste reduced by 50%; unplanned stoppages down 70%; Quality defects down 70%; Production line changeovers down from three hours to less than ten minutes; Line efficiency up 15%; Productivity up 27%. GLOBE (Global Business Excellence) is enabling savings and economies of scale on a regular, on-going basis throughout the company. It was designed to harmonise our systems, analyse our business more effectively, optimise economies of scale and share best practices. It has proven to be an enabler of extraordinary power, leveraging efficiency, skills and know-how. Over the last 10 years, Nestlé has changed about 50% of the industrial setup to better support business growth. The cost savings were over 11 bn CHF and the COGS went down by 10 %points in the same period (Creating Performance Gaps versus competition, J. Lopez, IRS, June 16, 2008, p 6-7)

**References:**

Management Report 2008, page 46

Management Report 2008, page 44

Management Report 2008, page 22

Management Report 2008, page 76

Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 5, 6 & 11 to 22

## Health & Nutrition

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42. Please indicate your company's strategic approach to Health & Nutrition.

✓ Answer:

- ✓ **Policy statement on health & nutrition publicly available.** Please attach the relevant document and/or indicate website: Nestlé has transformed from a food and beverage company into a nutrition, health and wellness company. This is publicly stated in all our key communications, including: - the 2008 Management Report, p.2, please see: <http://www.nestle.com/Resource.axd?Id=8F7FD5C9-D6A0-48BC-86A3-28D49BF20ECD> - the 2008 Creating Shared Value report, pp.2 and 3, please see: <http://www.nestle.com/Resource.axd?Id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> A series of health & nutrition KPIs or reports are being examined regularly at Executive Board level, including: - nutritionally-profiled products - nutritionally-renovated products - nutrition innovations - product labels featuring the Nestlé Nutritional Compass® - products featuring GDA labelling on the front of pack - product advertisements featuring nutrition contents. Please see questions 43-44-45 for more information about those aspects. All Nestlé business teams across countries are integrating health & nutrition analysis and planning in their business plans, which are reviewed at global level. Proper analysis of the detailed nutrition & health value of the product portfolio in each of those business plans (proper usage of the 'NHW Dashboard' in the Market Business Strategy) is a new KPI now examined at Executive Board level. The development and deployment of our 'NHW Dashboard' required concerted efforts across all functions in the Company. Through this process, our business people have further increased their understanding of the Nestlé responsible nutrition approach, and Nestlé nutritionists have learned how to closely monitor the business sustainability of nutritionally-improved products. 2008 was marked by an acceleration of health & nutrition policy/guideline implementation, tool development, programmes deployment and training across functions. Please see questions 43-44-45 for more information about our policies and guidelines on nutrition & health issues, Marketing to Children Policy, Nutritional Profiling programme, 'NHW Dashboard' programme, and our company-wide nutrition training programme, called 'NQ' ®.
- ✓ **Advisory panel on health & nutrition established.** Please attach the relevant document and/or indicate website: The Nestlé Nutrition Council is an independent, international advisory panel with 31 years of history. Over the last decade only, the NNC has examined issues such as diabetes,

childhood obesity, cancer, nutrition and the brain to name just a few. It has also shaped Nestlé's nutrition & health policies on the reduction of trans fatty acids, salt and sugar levels in food, and the fortification in iron and other nutrients. See: - the 2008 Creating Shared Value Report, p. 20, at <http://www.nestle.com/Resource.axd?Id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> - as well as the Nestlé Research website: <http://www.research.nestle.com/> - and the Nestlé Research section in the Nestlé corporate website: [www.nestle.com/nestleresearch](http://www.nestle.com/nestleresearch) An article on the NNC, published in the Nestlé Gazette, is also attached in the References section.

- ✓ **R&D centers focused on health & nutrition established.** Please attach the relevant document and/or indicate website: Nestlé Research is a global network of 26 R&D and PTC (Product Technology Centres), supported by 280 'Application Groups' across countries where we manufacture products. All with no exception have health & nutrition-driven agendas. Nestlé has also made approximately 300 collaborative agreements with universities and research centres around the world, to further develop and implement successful projects. Additionally, through our Nestlé Growth Fund, we have committed CHF 742 millions to be invested in promising new businesses active in health, well-being and nutrition. See: - the 2008 Creating Shared Value Report, pp. 16 to 21, at <http://www.nestle.com/Resource.axd?Id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> - as well as the Nestlé Research website: <http://www.research.nestle.com/> - and the Nestlé Research section in the Nestlé corporate <http://www.nestle.com/NestleResearch/GlobalRnD/GlobalRnD.htm>
- ✓ **R&D health & nutrition focus area defined.** Please attach the relevant document and/or indicate website: Nestlé R&D focusses on improving the quality of food and diets through products delivering increased nutritional density and taste preference. The key research focus areas are: - obesity prevention and healthy body weight management - better ways of meeting nutrition requirements of consumer groups with specific needs. Specific needs Nestlé currently works on include: - healthy growth - protection via probiotics - bioavailability of key nutrients - nutrigenomics and personalised nutrition - satiety, appetite management, blood glucose management - safe and effective nutrient fortification to help prevent deficiencies, with the right food vectors to reach even the underprivileged - allergy prevention - nutrition for improved performance, both physical and mental - bone and joint health - better recovery for the ill, better maintainance for the elderly - etc. See: - the 2008 Creating Shared Value Report, pp. 24-26, and 40-46 at <http://www.nestle.com/Resource.axd?Id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> - as well as the Nestlé Research website: <http://www.research.nestle.com/> - and the Nestlé Research section in the Nestlé corporate website: [www.nestle.com/nestleresearch](http://www.nestle.com/nestleresearch)
- ✓ **Measurable "healthy nutrition" criteria defined for product innovations.** Please attach the relevant document and/or indicate website: Nestlé has published in 2008 its comprehensive approach to nutritional profiling of all its products, driving both innovations and existing portfolio renovations. The detailed principles and criteria are available at: - <http://www.nestle.com/SharedValueCSR/ProductsAndConsumers/MarketingandCommunications/MarketingAndAc> - <http://www.nestle.com/Resource.axd?Id=6FFA7201-1191-48E2-BE23-4BE4769B226E> - <http://www.nestle.com/Resource.axd?Id=4655AC45-7578-4E94-9B43-1B66EBF32D79> - <http://www.research.nestle.com/Science+in+Action/NestleNutritionalProfiling/> - [www.cerealpartners.com](http://www.cerealpartners.com) - [www.eu-pledge.eu](http://www.eu-pledge.eu) A short document titled 'Nestlé Nutritional Profiling in Brief', as well as the Tables listing exact criteria, are attached in the References section. Products reaching the Nestlé 'Nutritional Foundation' level are products which are appropriate choices in the context of a balanced diet for the majority of people even when consumed very regularly. If a product which does not achieve the Nestlé 'Nutritional Foundation' is consumed frequently, the consumer's diet may need to be rebalanced by other dietary choices. As an example: frequent consumption of salty snacks calls for moderation in the use of salt and other salty foods.
- ✓ **Measurable "healthy nutrition" criteria defined to measure nutritional progress of existing product portfolio.** Please attach the relevant document and/or indicate website: As mentioned above, Nestlé has published in 2008 its comprehensive approach to nutritional profiling of all its products, driving both innovations and existing portfolio renovations. The detailed principles and criteria are available at: - <http://www.nestle.com/SharedValueCSR/ProductsAndConsumers/MarketingandCommunications/MarketingAndAc> - <http://www.nestle.com/Resource.axd?Id=6FFA7201-1191-48E2-BE23-4BE4769B226E> -

<http://www.nestle.com/Resource.axd?Id=4655AC45-7578-4E94-9B43-1B66EBF32D79>  
<http://www.research.nestle.com/Science+in+Action/NestleNutritionalProfiling/> -  
[www.cerealpartners.com](http://www.cerealpartners.com) - [www.eu-pledge.eu](http://www.eu-pledge.eu) A short document titled 'Nestlé Nutritional Profiling in Brief', as well as the Tables listing exact criteria, are attached in the References section.

- No such approaches
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

Nestlé Nutrition Council - Gazette news  
 Nestlé Nutrition Profiling in Brief  
 Nestlé Nutritional Profiling - Tables



43. Please indicate the status of your company's health & nutrition product renovation/reformulation programme for EXISTING PRODUCT LINES based on your company's defined "healthy nutrition" criteria.
- ✓ **Health & nutrition product reformulation programme IMPLEMENTATION:** 40% of all products had been assessed 14% of all products had been renovated The implementation of more powerful and integrated IT systems in our businesses around the world now delivers increasing global visibility. For example, tracking of nutritional profiling coverage across our 130 markets indicated that a network of 150 nutritionists had assessed 37,021 products (SKUs) in 2008. According to our worldwide database (GLOBE), this equates to 40% of the entire portfolio. Please see questions 42 and 44 for more information about our Nutrition Profiling approach. We initiated detailed surveys in 2007 to track our nutrition & health product renovations. Figures gathered from approximately 75% of all our product development centres are the following: 6,445 products reformulated for nutritional considerations in 2007 and 6,254 additional ones in 2008, which cumulatively represent 14% of our entire portfolio. Those figures were further detailed in: - the 2008 Creating Shared Value report, in the Performance Indicators table: please see <http://www.nestle.com/Resource.axd?Id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> The Nestlé Policies and Guidelines are amongst the key elements driving our nutrition renovation programme. Under the guidance of external experts comprising the Nestlé Nutrition Council (please see question 42 for more about the Council), we have adopted and are implementing company-wide nutrition policies on the reduction of trans fatty acid, salt and sugar levels in food, as well as nutrient fortification. We are currently updating the latter to more fully describe how this is to be done in a responsible way at Nestlé, in all parts of the world. It should be noted that products reformulated for other purposes would come in addition to our nutritional renovation figures. One of our key reasons for renovating products is maintaining taste superiority because we strongly believe in the importance of making nutrition the preferred choice of consumers. Through our Nestlé-proprietary programme called #60/40+#, we assess each year a subset of our product portfolio with large consumer panels and reformulate recipes that do not win preference over competitor products (preferred by at least 60% of consumers). At the same time, we evaluate the nutritional value and aim to offer a # + # whenever pertinent. This is the largest initiative of its kind in the industry. In 2008 alone, products with sales of CHF 13.6 billion were analysed and either confirmed or improved. To read about Nestlé's #60/40+# programme, please see: - the 2008 Creating Shared Value report, p. 16 at <http://www.nestle.com/Resource.axd?Id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> - the 2008 Management Report, pp. 36-37 at <http://www.nestle.com/Resource.axd?Id=8F7FD5C9-D6A0-48BC-86A3-28D49BF20ECD> A fact sheet on '60/40+' is also available in the Reference section. In order to equip Nestlé teams with the right nutrition skills and insights to drive the renovation pipeline, Nestlé launched mid-2007 a nutrition training programme called #NQ#®, for Nutrition Quotient. All employees around the world are targeted by a Foundation Module, while those with product development or product communication responsibilities go through a Specialist pathway. There were already 9 Specialist modules being

deployed at end 2008, each one being delivered in the form of a one-day multifunctional workshop built around the specifics of a product category. More than 79,000 employees in all parts of the world had already been trained by end 2008. To read more about the #NQ# © nutrition training programme, please see: - the 2008 Creating Shared Value Report, p.56, at <http://www.nestle.com/Resource.axd?Id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> With the purpose of further accelerating and sharpening our nutrition renovation efforts, we are also reinforcing our Recipe Management System to match the vast geographic scope of the Company and our ambitious nutrition, health and wellness strategic goal. The new recipe template, which we have re-designed to allow tracking a wide variety of nutrition & health specifics, is currently being deployed. Teams around the world are now busy uploading data, aiming to reach as fast as possible the required critical mass for the system to deliver its full value in terms of global analysis. % of existing products have been screened and reformulated by the end of calendar year 2008. Please attach the relevant documents and/or indicate website: please see in box above

- Health & nutrition product reformulation programme in PLANNING PROCESS. Please attach the relevant documents and/or indicate website: \_\_\_\_\_
- No such programme in place
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

Factsheet 60/40+ - updated



44. Please indicate your company's health & nutrition PRODUCT INNOVATIONS (based on your company "healthy nutrition" criteria definition) as a % of total product innovations. Please attach the relevant documents and/or indicate website: please see the comment

✓ Answer:

Criteria	2005	2006	2007	2008	Target for 2009
Number of "Healthy Nutrition" product innovations according to your company's definition				CHF944Mio	
% of health & nutrition product innovations of total product innovations	%	%	%	67%	%

- No such product innovations
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

Following massive work behind our GLOBE system to implement a 'NHW Dashboard', we are able to supply this data for the first time. It should be noted that our GLOBE system covered approximately 80% of our total Net Sales at end 2008, and that the CHF 944 Mio figure for 'Healthy Nutrition Innovations' is based on this system's scope at that time, without extrapolation. See question 42 for an example of usage of this dashboard, and question 43 for more details about the integration of our various IT platforms. The percentage of our product innovations that, at end 2008, met or exceeded all criteria for achieving what we call at Nestlé the 'Nutritional Foundation' (67%) is in line with our broader portfolio at end 2008. This is not surprising since a primary driver of this percentage is our sales mix across diverse categories (e.g. from dairy and water products to

sauces and confectionary). See question 42 for more explanations about the Nestlé 'Nutritional Foundation' approach. The reason why the 'Target' box in the table above is blank is the difficulty in predicting the success of individual innovation projects, especially since they are being launched in very diverse geographic regions.

**References:**



**45. Please indicate your company's approach towards marketing SELF-regulation with regards to health & nutrition information facts on product labelling.**

- Use of EU CIAA Nutrition Labelling Scheme, implemented for 88% of total product lines
- Company-specific health & nutrition labelling scheme. Implemented for \_\_\_ of total product lines. Please attach the relevant document and/or indicate website:** At end 2008, GDA (Guideline Daily Amount) labelling, developed by the European CIAA as part of its voluntary nutrition labelling scheme, were already appearing on 88% of all Nestlé product packs reaching consumers in Europe. Although not part of the commitment, deployment of such labelling around the world is greatly encouraged across Nestlé. At end 2008, 79% of all Nestlé product packs worldwide were featuring GDAs. To read more about GDA labelling at Nestlé, please see: - the 2008 Creating Shared Value Report, p. 50, at <http://www.nestle.com/Resource.axd?id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> - the CIAA commitment at [www.eu-pledge.eu](http://www.eu-pledge.eu) Clear and practical information about daily food & beverage choices is essential for consumers to make enlightened decisions. While discussions about the best labelling approach continue, Nestlé thought it important to propose with no delay an information panel on their packs that went beyond listing nutrient figures. Nestlé then launched in 2005 a labelling panel called the Nutritional Compass®. This panel, designed to guide consumers through understanding nutrients, numbers and balanced usage of the product, was already appearing on 98% of all our packs at the end of 2008. We aim to continuously keep it at that level, even with the high rate of new product launches, and ideally increase it at 100%. To read more about the Nestlé Nutritional Compass®, please see: - the 2008 Creating Shared Value Report, p. 50, at <http://www.nestle.com/Resource.axd?id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE>. A factsheet about the Nutritional Compass® is also attached in the References section. Principles concerning appropriate communication with consumers have been part of Nestlé's Corporate Business Principles since they were first published in 1999. Reviewed and strengthened three times since, these principles are required reference points for all marketing staff and advertising agencies. Please see Nestlé's Corporate Business Principles at: - <http://www.nestle.com/AllAbout/AllAboutNestle.htm> Responsible advertising to, and communication with, children has always been part of Nestlé's wider Consumer Communication Principles, which are aimed at encouraging moderation, healthy eating habits and physical activity without undermining the authority of parents or creating unrealistic expectations of popularity or success. Against a background of rising concern about child obesity, Nestlé strengthened these Principles in July 2007 with two important provisions, which were fully implemented by the end of 2008: - no advertising or marketing activity is to be directed at children under 6 years old - advertising for children aged 6-12 must be restricted to products that help children to achieve a healthy balanced diet, including clear limits for sugar, salt and fat contents. To read more about Nestlé's Marketing to Children Policy, see the document attached in the Reference section. Nestlé had, at end January 2009, joined five voluntary, independently monitored initiatives on responsible food and beverages advertising at a national and regional level. To read more about these initiatives, and the seriousness of communication principles and guidelines at Nestlé, including monitoring, please see: - the 2008 Management Report, p. 22, at <http://www.nestle.com/Resource.axd?id=8F7FD5C9-D6A0-48BC-86A3-28D49BF20ECD> - the 2008 Creating Shared Value Report, p. 54, at <http://www.nestle.com/Resource.axd?id=10E71FF5-1D5C-461E-8199-5B6B6386A3CE> Last but certainly not least in this area, and in light of regulatory evolutions worldwide, Nestlé has recently reviewed and reinforced its internal approach to nutrition & health claim development and validation. A #General Instruction# document describing all mandatory procedures was published and promoted across the Company in the fall of 2008. Development of more thorough skill-building tools and trainings for the marketing teams is currently underway.



- No corporate-wide self-regulation labelling approach in place
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

Factsheet Nutritional Compass - updated, page f  
External position statement - Marketing to Children, page f



46. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company. Please disregard the reference and comment button.  
Please press "save+next" to proceed to the next question.

*Comment:*

## Environmental Dimension

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### Environmental Reporting

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47. In this section we evaluate the content, context and coverage of the environmental reporting included in other reports or on your website (e.g. own publication, part of a sustainability/CSR report or of annual report). The evaluation will be filled in by the responsible analyst of your industry. Please press "save+next" to proceed to the next question.

*Comment:*

*References:*

Management report 2006  
Nestlé and Water: Sustainability, Protection, Stewardship  
Nestlé concept of corporate social responsibility LatAm  
The Nestlé Creating Shared Value Report, page 3, 4, 10 to 19  
Management Report 2008, page 15 to 20 & 76  
2009 Policy on Environment Sustainability

### Environmental Policy/Management System

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48. Has your company adopted a corporate environmental policy? (whether stand alone or integrated into a broader policy statement). Please refer to the policy or indicate where it can be found on the web.
- Yes, documented in: [The Nestlé Policy on Environmental Sustainability, Nestlé Corporate Business Principles, www.environment.nestle.com](#)
  - No
  - Policy is in development and to be implemented within the next \_\_\_\_\_ months.
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

*Comment:*

Following the early years of Nestlé's commitment to the environment, we published in 1991 our first

global Nestlé Policy on the Environment. This Policy defined Nestlé's worldwide strategy on environmental issues and stated our long-standing commitment to environmentally sound business practices. The Nestlé Policy on the Environment was updated in 1999, confirming and strengthening our commitment. It reflects a world where preserving natural resources and minimising waste has become part of the day-to-day activities in Nestlé operations, as well as an integral element in achieving global competitiveness. The Policy was updated last year, in 2008, and now is named The Nestlé Policy on Environmental Sustainability. It is widely communicated - both internally and externally - to all interested parties. It helps, in a positive way, to influence others with whom Nestlé has relationships throughout the supply chain and beyond. The Nestlé Corporate Business Principles set out the basic rules that we follow to make sure that the highest standards of conduct are maintained. These were updated in 2004 and include all ten principles of the UN Secretary General's Global Compact for Business, regarding labour standards, human rights and the environment. Nestlé also adheres to the International Chamber of Commerce (ICC) Business Charter for Sustainable Development. The company has implemented both public and internal environmental policies. Besides, we published the Nestlé Commitments on Water, at the 4th World Water Forum in Mexico in Feb. '06, which include the reduction of the amount of water used per kilo of food and beverage produced and taking care that water we discharge into the environment is clean, as well as the respect of local water resources, the promotion of water conservation among farmers and collaboration with others on water conservation and access. The Company also has signed the UN Global Compact CEO Water Mandate and the Bali Communiqué by The Prince of Wales Corporate Leaders Group on Climate Change in 2007.

**References:**

The Nestlé Commitments on Water  
 The Bali Communiqué on Climate Change  
 UN Global Compact CEO Water Mandate  
 The Nestlé Policy on Environmental Sustainability  
 Corporate Business Principles, page 16 to 18  
 Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 9, 10, 16, 22 & 23



Please indicate whether your corporate environmental policy applies to: (Please refer to the policy or indicate where it can be found on the web)

Answer:

- Company's own operations
- Environmental impacts of products & services
- Suppliers & service providers (e.g. contractors)
- Other key business partners (e.g. non-managed operations, JV partners, etc.) please specify: JV partners

Not applicable. Please provide explanations in the comment box below.

Not known

**Comment:**

Please also see Q55 to Q59 from the Raw Material Section, Q61 et Q62 from the Packaging section and Q92 to Q95 from the Standards for Suppliers section

**References:**

Nestlé and Water: Sustainability, Protection, Stewardship  
 Nestlé concept of corporate social responsibility LatAm  
 The Nestlé Supplier Code, page 1 & 3  
 Corporate Business Principles, page 16 to 20  
 Management Report 2008, page 15 to 20 & 76



49. Please indicate how your environmental management system is verified/audited/certified:

- ISO 14001, JIS Q 14001, EMAS certification by third party
- ISO 14001, JIS Q 14001, EMAS certification by internal personnel
- Other environmental system audits/verification by third party

- Other environmental system audits/verification by internal personnel
- not verified/audited/certified
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

In the larger framework of NCE (Nestlé Continuous Excellence) and NIMS (Nestlé Integrated Management Systems), implementation of our ISO 14001 compatible with NEMS (Nestlé Environmental Management System) is mandatory throughout Nestlé. 2008 marked the twelfth anniversary of the NEMS which has served as a solid basis for continuously improving our environmental performance. We have further reinforced our leadership position by seeking independent certification of all our factories to the internationally recognised standards. On the 5th of June 2009, 279 factories hold an ISO 14001 certificate with the remaining scheduled to obtain their certificate in 2009 or 2010. Nestlé has been committed to environmentally sound businesses practices throughout the world since its early days. The Nestlé Policy on Environmental Sustainability defines our world-wide strategy on environmental issues in response to the environmental commitments made in the Nestlé Corporate Business principles. The NEMS is a key component of this strategy. The objective of NEMS are to: # ensure compliance with environmental legislation and Nestlé environmental requirements, # continuously improve the environmental performance of Nestlé, # enable certification of factories against ISO 14001 international standard, # contribute to sustainable development. NEMS is completely aligned with the requirements of the international standard ISO 14001:2004 #Environmental management system # Requirements with guidance for use#. Every Nestlé activity with a significant impact on the environment must be covered by an environmental management system based on requirements of NEMS. Each plant is audited on an annual basis. Additionally, all Nestlé factories shall obtain and maintain third-party certification against this standard. NEMS applies to the management of significant environmental aspects and impacts and environmental performance in all Nestlé Markets, Globally and Regionally Managed Businesses and Plants. This includes all Nestlé activities along the supply chain which may have either a direct or indirect impact on the environment, including procurement, supply, manufacturing, packaging, distribution, research and product development, marketing and administration. Suppliers, including contract farmers, manufacturers and distributors, as well as minority joint ventures, are not required to implement NEMS. Nestlé controls the environmental aspects of these activities relevant to the Company through the NEMS components concerning the supply function, including communication, operational control and audits. Compliance with all NEMS requirements is mandatory. Where these requirements are not currently met, an action plan must be established and implemented to achieve compliance. For new acquisitions, a time frame and action plan for achieving compliance with these requirements shall be established. In addition, all our factories have been audited by an independent third party as part of our CARE Program to verify compliance with our Corporate Business Principles including the Nestlé Policy on the Environment. Please also see Q55 to Q59 from the Raw Material Section, Q61 et Q62 from the Packaging section and Q92 to Q95 from the Standards for Suppliers section

**References:**

Independent Assurance Statement of 2008

CARE Executive Summary

Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 12 to 18



50. Please indicate the percentage of total revenues under verified/audited/certified EM systems.
- 100% of revenues generated from assets covered by the EMS
  - Not verified/audited/certified
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Factories, rather than revenues are audited/verified/certified. CARE, a group-wide audit initiative launched in 2005, aims through independant external auditors at verifying that our operations

comply with local legislation and with Nestlé Corporate Business Principles in the areas of Health & Safety, Labor standards, Business Integrity and Environment (please see presentation in reference).

**References:**

CARE Executive Summary

CARE Audit Report



51. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company. Please disregard the reference and comment button.  
Please press "save+next" to proceed to the next question.

*Comment:*

## Management of Genetically Modified Organisms

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52. Does your company have a publicly available GMO policy? Please attach the relevant document(s).
- Yes, reference indicated
  - Yes, no reference indicated
  - Not publicly available
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

*Comment:*

Nestlé does not produce genetically modified organisms (GMOs) nevertheless; Nestlé's global policy on Gene Technology is available at the following link: Nestlé and Gene Technology As stated in the policy, Nestlé respects local needs, cultural differences and consumer attitudes concerning the use of ingredients derived from GMOs. Therefore, in response to European consumer preferences, our ingredients in Europe are non-GMO. Nestlé's European position is publicly available at this link: Nestlé position on European GMO legislation As explained in the position, in response to the European legislation, a traceability and quality system is implemented when non-GMO ingredients are used. This system named Identity Preservation (IP) ensures that a particular ingredient characteristic such as conventional, non-GM crop, origin is monitored and preserved throughout the supply chain. Nestlé's ingredients used in Europe are certified as non-GMO IP. The European market represents 39% of the group's Food & Beverages sales and in many countries outside Europe, Nestlé is selling non-GMO derived ingredients as well, as defined by local regulations. Moreover, Nestlé is increasingly offering products in the organic market. Nestlé is selling a variety of organic baby foods in Germany, Nordic countries, Austria and Switzerland. More recently, with the acquisition of Gerber, Nestlé is also offering a line of organic products in the USA in addition to organic products offered by Uncle Tobys in Australia.

**References:**

Nestlé gene technology policy

Nestlé european policy on biotech crops



53. What is your company's approach regarding the labeling of genetically modified food or feed ingredients. Please attach relevant document(s).
- Public documents available and included.
  - No public documents available.
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

As stated in our global policy, Nestlé and Gene Technology, Nestlé strictly adheres to national laws concerning the labelling of GMO derived ingredients in food or pet food products. As explained in our European position, Nestlé position on European GMO legislation, the EU regulation did not affect the labelling of our products since in response to European consumer preference our ingredients in Europe are non-GMO. According to a survey by the European commission (Eurobarometer, March, 2008), fewer Europeans (20%) are concerned by GMOs and among top 15 issues of concern; GMO is ranked 11 showing a relatively low level of concern. This might be in part the result of the enforced European GMO regulation. As a consumer oriented company we encourage authorities around the world to continue managing GMOs, including creating tailor made regulations, in a way that put consumers at ease with regard to the safety and use of GMO derived ingredients. We are confident to maintain our competitive advantage also in complex regulatory environments, to keep serving our consumers. Nestlé chose not to have an additional labelling policy, which differs from what is required by national regulations, in order to avoid confusing consumers with labelling standards varying from company to company in the same country.

**References:**

Nestlé gene technology policy  
Nestlé european policy on biotech crops



54. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The score will be filled in by the responsible analyst of your industry. Please press "save+next" to proceed to the next question.

**Comment:**

## Raw Material Sourcing

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55. Please indicate the environmental guidelines or standards your company has implemented for agricultural raw material (for your own agricultural production, direct procurement and/or procurement over wider trade channels).
- ✓ Please describe and attach relevant documentation Nestlé has two main source of agricultural raw material supply: 1. directly from farmers 2. indirectly through suppliers (local manufacturers of semi processed materials, or trade companies) This chapter is entirely dedicated to 1., supply directly from farmers. The 2. will be adressed in the questions 92 to 96. Nestlé highly promotes sustainable farming practices and agricultural production systems that ensure long-term economic, environmental and social developments. Within its procurement strategy Nestlé applies direct procurement systems for fresh milk (45% of total fresh milk worldwide is bought at farm level, in more than 36 countries and from 493'500 farmers), coffee (10% of total green coffee worldwide is bought at farm level in 7 coffee producing countries from 111'500 farmers), and cocoa (11 origins, 2 core countries Ghana and Ivory Coast). Figures certified by Bureau Veritas. Our sourcing approach first of all concentrates on raw materials quality and safety to ensure compliance with regulatory requirements. The materials have to be produced according to given standards and regulations that are resumed into the newly published Nestlé Supplier Code. Nestlé applies following practices to ensure long term supply of raw materials: The Nestlé Policy on Environmental Sustainability 2008 - Chapter on Agricultural Raw Materials - confirms that Nestlé encourages sustainable farming methods and, where appropriate, assists farmers in crop or milk production. The Nestlé Supplier Code - This is a code that ensure that all Nestlé suppliers respect a number of minimum requirements such as prohibition of child labor, adequate pesticide uses, upgraded water management techniques etc... this apply to all our farmers. To help suppliers to comply, Nestlé has elaborated and implemented Manuals describing what we consider as Good Agricultural Practices such as "Reducing Green house gas emissions from farms", "Spring Catchment Manual", "Water Assessment Manual Dairy Farm", "Post Harvest treatment of coffee Cherries", "Preference" Milk - Potatoes in France... Similar schemes have been produced locally in

many other countries such as Brazil (avoiding mycotoxins in feed for animals), Argentina (cleaning in place methodology), Chile (awarding proper water harvesting technics), Greece, Italy (Drip irrigation, tomatoes), Spain etc... In countries such as China, India, Pakistan and Indonesia, Nestlé bases projects to improve sustainability of small-scale dairy farming systems on direct contacts with farmers and on farmers' trainings programs by joining efforts with NGOs or international organizations (see UNDP & Nestlé Pakistan on web). To support the direct procurement of coffee (about 78'000 tons per year) Nestlé has a network of coffee buying stations in 7 coffee producing countries. This system is usually combined with technical assistance programs (in China, Vietnam, Indonesia, Mexico, the Philippines and Thailand) and experimental and demonstration farms to enforce the training programs (they comply with SAI Platform principles - mentioned later on). During these trainings focus is made on burning issue such as efficient use of water in depulping systems. Another initiative in the coffee sector is the Nespresso AAA Sustainable Quality Program. The objective of this program is to improve the performance of coffee planters and of the whole supply chain by providing assistance in coffee growing. As per december 2008, 27'000 farmers benefit from these programs which are verified by Rainforest Alliance and Bureau Veritas. Further information: [http://www.nespresso.com/precom/aaa/n\\_aaa\\_quality\\_ch\\_en.html](http://www.nespresso.com/precom/aaa/n_aaa_quality_ch_en.html) In 2008 Nestlé has relaunched the Fairtrade-certified coffee, NESCAFÉ Partners Blend - for 9 different countries. The supplying farmers are smallholders from Ethiopia and El Salvador. One of the objectives of this program focuses on reduced environmental burdens and reduced water consumption by introducing improved wet-processing post harvest treatments. Further information is available at <http://www.growmorethancoffee.co.uk/>. To support sustainable development in agriculture in general, and for procurement through wider trade channels Nestlé is a driving force at the SAI-Platform. SAI, the Sustainable Agriculture Initiative Platform, was created by the food industry to actively support the development of sustainable agriculture. It now counts 25 food industry members and is supported by CIAA, the Association of the European Food and Drink Industry ([www.saiplatform.org](http://www.saiplatform.org)). Under the lead of Nestlé (Chairing the Platform), the SAI-Platform has established local chapters, like in USA (WITH Keystone Center) Australia and the Philippines to better promote sustainable agriculture worldwide. Activities of the SAI Platform include general as well as crop-specific case studies to assess agricultural practices and guidelines for best farming practices. Nestlé supports especially work on Coffee and Dairy and is also active in the working groups for Cereals, Palm Oil, Fruits & Vegetables and water in agriculture (chairman since January 2009). Nestlé further is a founding member of the Common Code for the Coffee Community (4C), a multi-stakeholder platform that defined a code for sustainability in the coffee chain. Nestlé contributes to the Council, the Technical Committee and the Mediation Board of 4C. 7.9% of the coffee purchased in 2008 by Nestlé is already produced in compliance with this code. (<http://www.sustainable-coffee.net/>). 4C is an Association registered under Swiss law, financed by membership fees (Nestlé is a main contributor) and donators like BMZ (German Ministry for Economic Co-operation & Development) and Seco (Swiss Secretariat for Economy). In 2008 Nestlé also made strategic alliance with the International Water Management Institute Sri Lanka to work out different water related topics of interest for farmers. Alliance will be reinforced during the next 3 years.

- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Above references can be verified by typing key words such as Nestlé Supplier Code on research engine

**References:**

Creating shared value: Sustainable agriculture  
 Supplier Assesement  
 Environment Report 2000 Nestle, page 14-17  
 The Nestlé Policy on the Environment  
 The Nestlé Supplier Code  
 Corporate Business Principles, page 19 & 20  
 Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 4, 9 & 10



56. Please indicate what issues are covered by these guidelines or standards:

- Reduced water consumption in agricultural production
- Protection of soil fertility
- Protection of biodiversity
- Restricted use of pesticides
- Transport distance for agricultural raw material
- Other, please specify:- farm management / economy - emissions (noise, odours, smoke, ...) and in particular GHG emissions - energy (transportation, biogas at farm level,...) - plant nutrients - water management (protection from pollution) - labour - community and welfare - quality assurance All of these topics are covered in both the Nestlé Supplier Code, The Nestlé policy on environmental sustainability 2008 and the SAIN concept.
- Not known
- Not applicable

**Comment:**

As a general principle, Nestlé supports the limitation of pesticides use by relying on official registrations / approvals of agrochemicals concerning their use. In some cases, e.g. where specific food product specifications require restricted use of pesticides, specific recommendations are provided especially for baby foods and Nestlé Nutrition products.

**References:**

Nestlé commitment to Africa, page 14, 15, 51 & 53  
Creating shared value: Sustainable agriculture  
Corporate Business Principles, page 19 & 20  
The Nestlé Creating Shared Value Report, page 33  
Nestlé concept of corporate social responsibility LatAm, page 23 to 25



57. Please indicate the coverage of your agricultural raw material standards in the year 2008.

- 90% of agricultural raw material costs for goods sourced according to these standards
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

On December 2008, around 90% of our agricultural raw material supply was fully in line with Nestlé newly implemented standards such as the Nestlé Supplier Code. For the remaining 10% Nestlé is working with suppliers to mutually recognized corporate standards or verifications schemes. 2008 was a major step in aligning our suppliers with our non negotiable requirements. See Nestlé Supplier Code Verification and audit procedures among suppliers (farmers and cooperatives are also covered).

**References:**

Creating shared value: Sustainable agriculture  
Supplier Assessment  
The Nestlé Supplier Code



58. Please indicate the share of food and beverage revenues from certified organic products as a percentage of total revenues in the last fiscal year.

- 3.5% of total revenues
- Yes, products available but no share figure available
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Growing ratio every year. The 3,5% of total revenue is corresponding to current maximum consumer demand and we are adjusting supply as the consumer demand is growing.

**References:**

The Nestlé Policy on the Environment



59. Please describe your company's water stewardship programme in your own operations and in your supply chain. Please attach relevant documentation.

- Please describe and attach relevant documents and/or website address: Water management in agriculture is a core pillar of our sustainable agriculture initiative worldwide. Several programs have been initiated to save water in agriculture and to protect it against possible pollution caused by agricultural practices. For more information please see 2008 Nestlé Creating Shared Value Report.
- No water stewardship programme
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

In 2010 Nestlé forecasts to edit an entire Nestlé Creating Shared Value Report on water management as this is one of the three pillar of our Creating Shared Value Strategy. In this report all current and running water management activities especially in agriculture will be explained in details.

**References:**

Nestlé and Water: Sustainability, Protection, Stewardship  
The Nestlé water management report  
The Nestlé Creating Shared Value Report, page 33  
2009 CSV, page 11



60. Please indicate the share of fish and seafood products or products containing fish or seafood as a percentage of total food revenues in the last fiscal year.

- 3.5% of total food revenues
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

This year Nestlé has elaborated its Nestlé Policy and Position on sustainable fishing. In this document (not yet publicly available) Nestlé specifies what we consider as sustainable fishing and what we agree and disagree to source as a buyer. Procurement of fish and seafood products is a huge concern for Nestlé Professional businesses (such as Davigel) and for Nestlé Petcare brands. In this policy, articulated around "Promote the best, remove the worst", we aim at buying , for example MSC certified seafood products and in certain case entirely avoid to buy certain fish species.

**References:**

The Nestlé Supplier Code



What is your company's share of MSC certified fish and seafood products as a percentage of total fish and seafood revenues in the last financial year?

- 5% of total fish and seafood revenues
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**



For the time being buying MSC certified seafood products is considered only in certain businesses such as Nestlé Purina Petcare, Nestlé Food & Culinary and Nestlé Professional Davigel. It is therefore very difficult to give an average worldwide share of revenue. In certain business it is 2 digits in others it is below 1%. However since we have originated The Nestlé Position on sustainable fishing this ratio should grow in 2009 as all strategic buyers will follow this guideline.

## Packaging

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61. Does your company's packaging policy integrate environmental aspects? Please attach your policy and/or add references.

Yes, packaging policy integrates environmental aspects.  
 No, packaging policy does not include environmental aspects. But we systematically consider environmental aspects in the packaging development. Please provide examples:

- 
- No packaging policy available
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Nestlé's Packaging Policy integrated environmental aspects as far back as 1991 & forms part of the Nestlé Policy on Environmental Sustainability (see References). This Policy was updated in 1999 & in 2008, but the fundamental principles from 1991 are still valid & form the foundation of our packaging development. The Policy states that in addition to applying a life cycle approach involving our partners from farm to consumer in order to reduce the environmental impact of our products & activities, we strive to: - reduce the weight & volume of materials. - lead in the development & use of materials from sustainably-managed renewable resources. - support initiatives to recycle or recover energy from used packaging. - use recycled materials. In order to strengthen the implementation of this Policy, the Environment Group at our Central Research facility in Lausanne, Switzerland (NRC) has been reinforced with experts in Life Cycle Assessment & Packaging Development. The main responsibility of this group is to develop guidelines & procedures, to perform training throughout the worldwide organisation, to advise on the choice & implementation of packaging with lower environmental impact, to scout for new technologies & materials and set up partnerships for new developments as appropriate. A worldwide Packaging Environmental Sustainability Network has been formed to ensure that all businesses & geographical areas of our business have access to this specific expertise. This Network reports to the Nestlé Operations Sustainability Council that is chaired by our Executive Vice President of Corporate Operations that in turn reports to the Creating Shared Value Alignment Board chaired by our CEO, Mr Bulcke. This ensures that packaging issues related to the environment are escalated to the highest level in the company. Packaging Environmental Sustainability is now integrated into all the 5 Generation R&D pipelines with development plans up until 2013, or beyond. These pipelines are reviewed by Senior Management during the annual, or bi-annual, R&D Strategy Conferences for each business.

**References:**

The Nestlé Policy on Environmental Sustainability



Please indicate what environmental aspects are systematically used in your policy and packaging development.

- Packaging reduction
- Recyclable packaging
- Recycled packaging
- Biodegradable / biobased packaging
- Take-back system
- No policy or packaging examples available
- Not applicable. Please provide explanations in the comment box below.

Not known

**Comment:**

The abovementioned environmental aspects form a part of our Policy & are ALL systematically used to reduce environmental impact. They are evaluated quantitatively to ensure that there is a true environmental benefit. Packaging is considered as part of an overall packed product system (including waste). In this context Nestlé's goal is to systematically reduce the environmental impact of packaging & contribute to the overall reduction of the complete system. In a given situation the optimal solution may be different so the appropriate choice is determined depending on the specific food product & the geographical-political-demographical context. **SOURCE REDUCTION.** Source reduction is one of the key elements of our Packaging Policy & Nestlé has been working for many years to reduce the weight & volume of packaging. The results are tracked every year by country & by globally managed businesses. Case studies are consolidated each year to cross-fertilise best practices & further stimulate source reduction. Since 1991 a total of 385000 tonnes of packaging material have been saved. The results in 2008 were stellar in that 58600 tonnes were saved - up from 11400 tonnes in 2007. This shows clearly the impact of the Packaging Policy & the measures described above. See References for some specific examples from 2008 - there are numerous other examples around the world. **RECYCLABLE PACKAGING.** The use of recyclable packaging is systematically evaluated in the market context & pursued when there is a true benefit. The good recyclability of PET is one of main reasons that PET is the material of choice not only for water packaging but also for the recent launch of new Ready to Drink products - such as Nesquik in Mexico & the USA. Other examples include changing to recyclable PP tubs for ice cream in Canada. This change also reduced the transportation distances & improved palletisation efficiencies. **RECYCLED PACKAGING.** Nestlé uses significant quantities of recycled paper & board, glass & tin plate wherever the safety & quality of the packed product is not jeopardised. Regarding plastics, for very sensitive applications like bottled water a huge testing programme has been completed & recycled PET was first introduced in 1994 by Nestle Waters with the Valvert brand in Belgium. Christmas Selection boxes in the UK also used recycled PET for the first time in 2008. Nestlé is also working towards establishing responsible recovery schemes for used packaging in markets where this does not exist. This enables more widespread recycling (or energy recovery as appropriate) depending on the local context & the true environmental impact. **BIODEGRADABLE/BIOBASED PACKAGING.** Nestlé is at the forefront in the understanding & use of biobased packaging materials & has pioneered the commercial introduction of a number of materials. For example, for many years Nestlé has been using PET films made from bio based ethylene glycol in India for sachets & pouches. Furthermore, our supplier in India has pioneered the use of source reduced films - we are using 10 micron PET film where the worldwide standard is still 12 microns. The use of this material has been rolled out into other countries in Asia. Biobased materials are systematically evaluated in all new material developments & will be used where they provide an environmental benefit over other solutions with the required product protection in the business context. In addition specific new material development projects have been initiated with key supplier partners. For example, Nestlé is a founding member of the new Chair of Bioplastics at the Ecole de Mines in Paris & a series of doctoral theses are commencing in this area. **TAKE-BACK SYSTEMS** are used extensively in transport packaging such as pallets & in 5 gallon water containers, as well as for water bottles in some countries, but do not provide a true environmental benefit in the majority of primary packaging applications.

**References:**

Packaging Source Reduction 2008



62. Does your company have quantified packaging targets for the aforementioned criteria?
- Company has set a number of corporate-wide quantified targets. Please provide supporting documents.
  - Company has set one corporate-wide quantified packaging target. Please provide supporting documents.
  - Company has set quantified packaging target(s) on a country/divisional level. Please provide supporting documents
  - Company is in the process of formulating quantified packaging target(s)

- No quantified packaging targets
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Zero Waste is a Corporate wide target that is a central part of our Nestlé Continuous Excellence initiative. In factories throughout the world the DMAIC process (Define, Measure, Analyse, Improve, Control) is being used. In packaging it is being used to reduce the waste of product and packaging materials in our factories. For example, despite the already low level of waste, the waste on one of the Nespresso capsule lines was further reduced by 45% by using the DMAIC process. Production waste is tracked and reported in all our factories on a yearly basis. Another Corporate wide target is to reduce the environmental impact of all new packaging by 15%. This is quantified using the Eco Design tool PIQET (Packaging Impact Quick Evaluation Tool) that was developed over the past 3 years and was introduced in 2008. This easy-to-use Life Cycle Assessment based tool enables calculation of the environmental impact and allows the optimum choice of packaging material solution at an early stage in the development process. PIQET compares directly different material options and calculates the impact in the following eight areas: water use, global warming, cumulative energy demand, minerals and fuel, photochemical oxidation, solid waste, eutrophication, and land use. The use of a comprehensive set of environmental indicators is consistent with the requirements of ISO and ensures avoidance of burden shifting to other environmental media (such as water consumption) which is frequently linked to the use of single indicators such as greenhouse gas emissions. A worldwide team of PIQET Super Users has been trained to support the utilisation of the tool throughout the company. This tool is now integrated in the Nestlé New Product Development and Implementation (NPD) process and is mandatory for all new product development throughout the company. Any new package development that does not meet this criteria is escalated to the Packaging Manager and ultimately to the Head of the Business. In addition to these Corporate targets there are specific targets for certain Businesses depending on the context and the available packaging technologies. For example, over the past decade Nestlé Waters has been at the forefront of PET bottle light-weighting and has significantly reduced its use of packaging materials. From 2007 to 2008 within Nestlé Waters alone, PET usage was reduced by 7%, plastics by 1% and paper by 9.2%. This represented a saving of 43800 tonnes of packaging material. While the challenge becomes greater the lighter the pack weight, Nestlé Waters target is to maintain the existing momentum and further reduce the environmental footprint per litre of bottled water by 15% until the end of 2012 (as compared to 2007) measured using Life Cycle Assessment. In addition to this package weight reduction and using recycled PET as appropriate, projects have been initiated with partners to develop alternative materials, such as bioplastics, with a lower environmental footprint. Other businesses & markets have sustainability strategies that include a specific target on Packaging, such as for example Nestlé UK and Nestlé Purina PetCare Europe.

**References:**

## Climate Strategy

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63. Please indicate the organizational coverage of your company's GHG inventory.
- For wholly owned entities/facilities representing 100% of total revenue
  - For entities/facilities that controlled but not wholly owned
  - For jointly controlled assets/entities
  - For entities not controlled but over which the company has significant influence
  - No GHG inventory
- Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Nestlé's energy management strategy is based on continuous improvement and innovation and seeks to achieve reductions in energy usage, cost and greenhouse gas emissions. As we seek to achieve energy efficiency improvements of at least 5% over the next five years, we investigate

setting energy consumption targets by product categories. Nestlé continue to participate in the Carbon Disclosure Project (CDP), the leading international forum for reporting progress and sharing good practice. We are currently conducting scientific quantitative approaches following the ISO 14040 standard on Life Cycle Assessment, the water and CO2 footprint of the entire supply chain, including production of agricultural raw materials, animal husbandry, transformation, transportation, distribution, consumption, recycling, of our food products for our major product categories. This enables us to clearly identify environmental priorities beyond our factories and to define and help implement relevant additional improvement measures together with our business partners, including farmers, traders, retailers and consumers. As a result of this effort, two scientific papers have been recently published based on LCAs made on our products. (See reference documents).

**References:**

LCA Baby jars pots

LCA Coffee

Management Report 2008, page 18 & 76



64. Please indicate the scope of your company's GHG inventory (according to WBCSD/WRI Protocol or other):
- Direct GHG emissions (i.e. "scope 1" of WBCSD/WRI Protocol)
  - GHG emissions from imports of electricity, heat or steam (i.e. "scope 2" WBCSD/WRI Protocol)
  - Other indirect GHG emissions (i.e. "scope 3" of the WBCSD/WRI Protocol)
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Scope 1 and 2 emissions have been already published.



65. Please indicate which non-governmental, independent organization verifies your company's GHG inventory.
- Verified by different organisations
  - Not externally verified
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Projects resulting in tradable emissions credits, e.g. the conversion of our Nescafé and Milo factory in Graneros (Chile) to natural gas, are audited by third-party. The same applies to plants involved in EU Emissions Trading Scheme which are periodically audited by a third-party. Bureau Veritas UK has been engaged to provide external assurance to the stakeholders of Nestlé S.A (Nestlé), over the Creating Shared Value (CSV) content and CSV actions as indicated in the Nestlé Management Report 2008 (the Report). The preparation of the Report is the sole responsibility of Nestlé. BV aim is to provide reasonable assurance to stakeholders over the accuracy and reliability of the CSV information included in the Report. The scope of the assurance included review of: 1. A review of related activities undertaken by Nestlé over the reporting period January 2008 to December 2008; 2. A limited review of information from external partners relating to materiality assessment and stakeholder convenings; 3. A review of information relating to Nestlé's issues, responses, performance data, case studies and underlying systems to manage such information and data; and 4. An evaluation of Safety, Health and Environment (SHE) data and systems; 5. A pilot assessment of the implementation of CSV related policies and processes at the market level. As part of its review, Bureau Veritas undertook the following: -Interviews with key management at Nestlé's head office; -Review of processes for identification and collation of relevant information, report content and performance data from Group operations globally; - Verification of performance data and factual information within the Report; -Visits to approximately 3% of operational sites across nine countries to evaluate the SHE data management systems and data reliability and accuracy; -A visit to Nestlé South Africa to review the understanding and implementation of market level CSV related processes as presented within the Report.

**References:**

Management Report 2008, page 77  
The Nestlé Creating Shared Value Report, page 56  
Independent Assurance Statement of 2008



66. What is your company's target for reducing GHG emissions and how will this target be achieved (inc. sources of emissions covered, baseline, timescale)? What is your progress against this target?

- Reduction of GHG emissions are driven by : - Energy reduction targets set at global and local levels. Globally we target energy savings of at least 5% per tonne of product over the next five years. - Local initiated Clean Development Mechanism projects, including fuel conversion (e.g. conversion from coal to natural gas at our Graneros factory in Chile). - New co-generation plants (e.g. at our Himeji factory in Japan,...) - Industrial ecology projects (e.g. purchase of by-product energy from neighbour industrial company at our Singen factory in Germany leading to 11,000 tonnes CO2 reduction). See references - Focused GHG reduction projects in factories qualified for the EU Emissions Trading Scheme. This will result in GHG emissions reduction of at least 5% per tonne of product over the next five years.
- No target
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

*References:*

Singen heat recovery 2009



67. Please indicate what your company's strategy for reducing/managing carbon risk is based on.

- Based on intra-company emissions trading
- Based on national/international emissions trading
- Based on carbon sequestration projects
- Based on Clean Development Mechanisms (CDM)
- Based on Joint Implementation (JI) projects
- Based on switching fuel sources
- Based on reducing carbon intensive operations/technologies/products/services
- Other methods, please specify: Energy savings Co-generation plants when relevant Industrial ecology projects Energy management software Renewable energy sources (solar energy, biomass energy, geothermal energy, photovoltaic energy)
- No carbon risk strategy
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

GHG reduction strategy applies to the entire Company, beyond Kyoto protocol signatories. It is not limited to our factories but also includes our business partners, e.g. packaging suppliers (see Questions 61-62), agricultural raw materials suppliers (see Questions 55-60), and logistics suppliers to minimise their environmental impact by favouring the definition and sharing, thus implementation of respective good practices.

## Operational Eco-Efficiency

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68.

- Please provide your company's direct greenhouse gas emissions (DGHG SCOPE 1) for the part of your company's operations for which you have a reliable and auditable data acquisition and aggregation system. Please refer to the information box for additional information.

DGHG SCOPE 1	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Direct greenhouse gas emissions (scope 1)	metric tons of CO2 equivalents	4310000t CO2e	4050000t CO2e	3920000t CO2e	4104488t CO2e
Data coverage (e.g. as % of revenues, employees, etc.)	percentage of production volume	100%	100%	100%	100%

- In case the data coverage above is less than 100%, please provide best possible estimates of your company's total DGHG SCOPE 1 emissions and explain what was included in your estimates

DGHG SCOPE 1	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Estimated total direct greenhouse gas emissions for the entire corporation (for 100% data coverage)	metric tons of CO2 equivalents	t CO2e	t CO2e	t CO2e	t CO2e
Please describe what was added in the estimates (e.g. business units, geographical coverage)					

THIRD PARTY VERIFICATION

The above data has been verified by the following organization: Bureau Veritas

Not verified

We do not track direct greenhouse gas emissions

Not applicable. Please provide explanations in the comment box below.

Not known

**Comment:**

Until 2007, we have reported GHG emissions from combustion activities only. Total GHG emissions reported in 2008 also include 3.4% of refrigerants leakage. (GHG emissions without refrigerants leakage amount to 3964390 CO2 eq.) The reported figures do not include Alcon factories (113439 CO2 eq) nor factories sold or closed in 2008.

**References:**

Independent Assurance Statement of 2008



69. Please provide your company's indirect greenhouse gas emissions from energy purchased (purchased and consumed, i.e. without energy trading) (IGHG SCOPE 2) for the part of your company's operations for which you have a reliable and auditable data acquisition and aggregation system. Please refer to the information box for additional information.

IGHG SCOPE 2	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Indirect greenhouse gas	metric tons of CO2 equivalents	t CO2e	t CO2e	3038840t CO2e	3002178t CO2e

emissions from energy purchased and consumed (scope 2)					
Data coverage (e.g. as % of revenues, employees, etc.)	percentage of production volume	%	%	100%	100%

- In case the data coverage above is less than 100%, please provide best possible estimates of your company's total IGHG SCOPE 2 emissions and explain what was included in your estimates.

IGHG SCOPE 2	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Estimated total indirect greenhouse gas emissions from energy purchased and consumed for the entire corporation (for 100% data coverage)	metric tons of CO2 equivalents	t CO2e	t CO2e	t CO2e	t CO2e
Please describe what was added in the estimates (e.g. business units, geographical coverage)					

- THIRD PARTY VERIFICATION
- The above data has been verified by the following organization:  
\_\_\_\_\_
  - Not verified
  - We do not track indirect greenhouse gas emissions
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

The reported figure does not include Alcon (154348)

**References:**

Independent Assurance Statement of 2008



70. Please provide your company's electrical and thermal energy purchased (purchased and consumed, i.e. without energy trading) for the part of your company's operations for which you have a reliable and auditable data acquisition and aggregation system. Please refer to the information box for additional information.



ENERGY PURCHASED	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Electricity purchased	megawatt hours (MWh)	24400000MWh	23400000MWh	23200000MWh	23700000MWh

Thermal energy purchased(heat, steam)	megawatt hours (MWh)	MWh	MWh	497681MWh	431698MWh
Data coverage regarding energy purchased (e.g. as % of revenues, employees, etc.)	percentage of production volume	100%	100%	100%	100%

- In case the data coverage above is less than 100%, please provide best possible estimates of your company's total electrical and thermal energy purchased and explain what was included in your estimates.

ENERGY PURCHASED	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Estimated electricity purchased for the entire corporation (for 100% data coverage)	megawatt hours (MWh)	MWh	MWh	MWh	MWh
Estimated thermal energy purchased for the entire corporation (for 100% data coverage)	Megawatt hours (MWh)	MWh	MWh	MWh	MWh
Please describe what was added in the estimates (e.g. business units, geographical coverage)					

THIRD PARTY VERIFICATION

The above data has been verified by the following organization: Bureau Veritas

Not verified

We do not track energy consumption

Not applicable. Please provide explanations in the comment box below.

Not known

**Comment:**

For 2004, 2005 and 2006 the data reported in Electricity consumption corresponds to the total Energy consumption. In 2007 and 2008, the electricity consumption and the thermal energy consumption have been reported separately. Both absolute total energy consumption and energy consumption rate per tonne of product have been decreasing over the 5 and 10 years periods. These indicators increased in 2008 due to changes in the relative tonnage of product categories (tonnage change) while the actual energy efficiency improved by 1.2% as shown in the attached information (see references).

**References:**

2008 Consolidated Nestlé Environmental Performance Indicators  
Independent Assurance Statement of 2008





71. Please provide your company's water consumption for the part of your company's operations for which you have a reliable and auditable data acquisition and aggregation system. Please refer to the information box for additional information.

✓ ✓

WATER CONSUMPTION	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Water consumption	cubic meters	159000000m3	155000000m3	157000000m3	147000000m3
Data coverage (e.g. as % of revenues, employees, etc.)	100% of production volume	100%	100%	100%	100%

In case the data coverage above is less than 100%, please provide best possible estimates of your company's total water consumption and explain what was included in your estimates

WATER CONSUMPTION	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Estimated total water consumption for the entire corporation (for 100% data coverage)	cubic meters	m3	m3	m3	m3
Please describe what was added in the estimates (e.g. business units, geographical coverage)					

✓ THIRD PARTY VERIFICATION

✓ The above data has been verified by the following organization: Bureau Veritas

Not verified

We do not track water consumption

Not applicable. Please provide explanation in the comment box below.

Not known.

**Comment:**

According to GRI G3, we report Water Withdrawal. Both absolute total water withdrawal and water withdrawal rate per tonne of product have been continuously decreasing over the last ten years. This decrease is the result of extensive efforts by Nestlé engineers and environmental professionals to improve water efficiency in our operations. It is also influenced by changes in the relative tonnage of each product category (tonnage change) and acquisitions and divestitures. The attached information shows the contribution of these three components in 2008 (see references).

**References:**

2008 Consolidated Nestlé Environmental Performance Indicators  
Independent Assurance Statement of 2008



72. Please provide your company's total waste generated for the part of your company's operations for which you have a reliable and auditable data acquisition and aggregation system. Please refer to the information box for additional information.

✓ ✓

WASTE	Unit of Analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008

Total waste generated	metric tons	440000t of waste	400000t of waste	370000t of waste	410000t of waste
Data coverage (e.g. as % of revenues, employees, etc.)	100% of revenues	100%	100%	100%	100%

In case the data coverage above is less than 100%, please provide best possible estimates of your company's total waste generated and explain what was included in your estimates.

WASTE GENERATION	Unit of analysis	Financial Year 2005	Financial Year 2006	Financial Year 2007	Financial Year 2008
Estimated total waste generation for the entire corporation (for 100% data coverage)	metric tons	t of waste	t of waste	t of waste	t of waste
Please describe what was added in the estimates (e.g. business units, geographical coverage)					

THIRD PARTY VERIFICATION

- The above data has been verified by the following organization: [Bureau Veritas](#)
- Not Verified

- We do not track waste generated
- Not applicable. Please provide explanations in the comment box below.
- Not Known

*Comment:*

*References:*

2008 Consolidated Nestlé Environmental Performance Indicators  
 2007 Environmental Performance indicators

## Social Dimension

### Labor Practice Indicators



73. Please complete the table and indicate which of the following performance/management indicators your company use regarding the following labor relations related issues? Please provide documents and/or indicate web address: \_\_\_\_\_

Issue	Management / performance indicators
Non-Discrimination / Diversity (ILO convention No. 111)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Female of total workforce: 32% <input checked="" type="checkbox"/> Female in management positions of total workforce: 25% <input type="checkbox"/> Breakdown of workforce based on minority, culture or similar

	<input checked="" type="checkbox"/> Other diversity indicator, please specify: Employees split per geographic area: Europe 34%, Americas 38.7%, Asia, Oceania, Africa 27.3%. <input type="checkbox"/> No such indicators used
Equal Remuneration female/male(ILO convention No. 100)	<input checked="" type="checkbox"/> Executive level: average salaryfemale;; male: <input checked="" type="checkbox"/> Management level: average salaryfemale;; male: <input checked="" type="checkbox"/> Non-management level: average salaryfemale;; male: <input type="checkbox"/> No such indicators used
Freedom of Association(ILO convention No. 87; No. 98)	<input checked="" type="checkbox"/> Employees represented by an independent trade union or covered by collective bargaining agreements:% <input checked="" type="checkbox"/> Consultations, negotiations with trade unions over organizational changes (e.g. restructuring, outsourcing): <input checked="" type="checkbox"/> Other indicators, please specify: Nestlé CARE Program <input type="checkbox"/> No such indicators used
Layoffs (based on ILO's A Guide To Worker Displacement)	<input checked="" type="checkbox"/> Number of employees laid off in the last fiscal year: <input checked="" type="checkbox"/> Consultations, negotiations with employees over organizational changes (e.g. restructuring, outsourcing): <input type="checkbox"/> Other indicators, please specify: <input type="checkbox"/> No such indicators used
Health and Safety (based on ILO's codes of practices SafeWork)	<input checked="" type="checkbox"/> Tracking of safety performance <input checked="" type="checkbox"/> Tracking of work-related fatalities <input checked="" type="checkbox"/> Tracking of near misses or similar crisis events <input checked="" type="checkbox"/> Other indicators, please specify: Permanent disabilities, recordable injuries and occupational illness. <input type="checkbox"/> No such indicators used

Not known

**Comment:**

NON-DISCRIMINATION / DIVERSITY (ILO convention No. 111) - In the past, the figures were estimate as we did not have the IT tools to calculate them accurately. Since 2008 we have been able to report more rigorously. Hence the differences in numbers with past figures. As a general rule, Nestlé adheres to a strict policy of non-discrimination based on gender, ethnic background, nationality, religion, and any other non-performance personal characteristics. A major business strength of the company is that persons from over 100 countries work together in one corporate culture, yet at the same time maintain their own national identity and culture. Nestlé has built its success and culture on this strong multicultural diversity. We acknowledge the fact that diversity is a critical competitive advantage that must be leveraged further. That is why we have decided to now accelerate gender balance. If the percent of women in senior management position is equal or superior to similar companies in countries where frequent moves from one country to another is not a part of the career path, the number of women represented at upper levels of Global Corporate Management at Nestlé is lower than the company would like. Nestlé is committed to improving the situation. We are determined to foster an environment, culture and leadership to facilitate a balanced gender mix. To that effect, Nestlé has launched in 2008 a group-wide initiative which aims at significantly improving the number of women in top management positions. A series of concrete measures facilitating more gender diversity at the top have started to be implemented. EQUAL REMUNERATION FEMALE/MALE (ILO convention No. 100) : - Although we have no consolidation at global level, for Europe in 2007, a specific working group has studied the equal opportunity situation particularly regarding pay equity. The working group collected data and wages and examined them. Although some minor problems were identified, the situation overall seemed satisfactory. There were no significant discrepancies that could not be explained. The conclusion was that the major issue was more linked to career development opportunities. This is a subject

that is given a regular attention so that to avoid discrepancies and take corrective measures when and where appropriate. Concrete steps have been taken in the markets on the way forward regarding equal opportunity with meetings held at market level between HR managers and employee representatives to debate the question and identify any issue and if any to appropriately address them. FREEDOM OF ASSOCIATION (ILO convention No. 87; No. 98) - Nestlé CARE Program rolled out in all our operations checks (through independent external auditors) that Freedom of Association is respected. NUMBER OF EMPLOYEES LAID OFF in the last fiscal year: - This indicator is followed at Market level. HEALTH & SAFETY (based on ILO's codes of practices SafeWork) : - We adhere completely to the international standard OHSAS 18001, which encompasses the ILO codes of safe work. We have plans to certify all our factories against this standard within the next two years. Tracking of safety performance is done through intranet software (NEST), which tracks individual incidents in all Nestlé sites worldwide. The system is totally transparent for the SH&E community, i.e. Safety Managers worldwide can benchmark themselves vs. other sites within the Nestlé Group (including Joint Ventures with >=50% Nestlé control). Tracking of work-related fatalities is done through the same software, plus immediate direct communication to company's top management through an ad-hoc procedure. Near misses are tracked locally in factories as well as all permanent disabilities, recordable injuries & the proportion of occupational illnesses in the total number of occupational injuries.

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 7 to 19 & 28  
 Management Report 2008, page 20 & 22  
 Nestlé concept of corporate social responsibility LatAm, page 34 to 37  
 Creating Shared Value, page 22 & 23  
 Nestlé Human Resource Policy, page 8, 10, 13 & 14  
 CARE Audit Report  
 CARE Executive Summary  
 Corporate Business Principles, page 8, 13, 14 & 21  
 Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 9, 10, 15 & 16



74. Please indicate which systems are in place to collect and handle employee grievances and complaints to ensure that workers can raise their concerns in confidentiality.

- Help line
  - Whistleblowing policy
  - Independent person or department in charge of solving complaints by employees such as diversity committee, company ombudsman, please indicate name: Human Resources, Legal and Compliance departments + ICAS external outsourced hotline + Nestlé CARE Program
  - Counseling
  - Strict confidentiality ensured. Please specify: Employees are ensured that any complaint is dealt with confidentially and without any endangering of job safety
  - Policies and related information widely circulated in appropriate languages
- No systems available
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Regarding complaints handling, the Code of Business Conducts states on page 8, section 14, that complaints may be made on a confidential basis or through EMPLOYEE HOTLINES. If it is appropriate, in view of the nature of the reported matter, reports of violations may be made directly to higher levels including the GROUP'S CHIEF EXECUTIVE OFFICER and/or CHIEF COMPLIANCE OFFICER. Regarding the question on confidentiality, Nestlé believes in transparency, promotes an environment of open communication and condemns any form of retaliation against employees who make a report in good faith. Accordingly, employees are encouraged to bring complaints to the attention of their line management, the HR, LEGAL or COMPLIANCE FUNCTION. All of the aforesaid are fully aware of the need to treat any such complaint with the highest possible level of CONFIDENTIALITY. Moreover, Nestlé recognizes that employees may in some instances feel uncomfortable to file complaints openly. The Company respects such need or perceived need for ANONIMITY and therefore provides employees with the

opportunity to make complaints on a confidential basis or through employee hotlines. For investigation purposes, Nestlé will not distinguish between reports filed openly and those filed on a confidential basis. We have hotlines in numerous Markets as well as Corporate hotlines for WHO Code violations and HR matters; We have an INTERNAL OMBUDSMAN system enabling employees to alert the company on potential non-compliance with the WHO Code on the Marketing of Infant Formula in a confidential way (p. 9 our Nestlé Corporate Business Principles) Moreover, the Nestlé CARE PROGRAM, a group-wide audit initiative launched in 2005, aims through independent external auditors at verifying that our operations comply with local legislation and with Nestlé Corporate Business Principles in the areas of Health & Safety, Labor standards, Business integrity and Environment. The Nestlé CARE Program comprises INDIVIDUAL CONFIDENTIAL INTERVIEWS that enable the external auditors to identify potential issues raised by the employees during those interviews.

**References:**

Employee Survey - " Nestlé & I ", page 1  
Code of Business Conduct, page 8  
CARE Audit Report  
Corporate Business Principles, page 21  
Compliance with Nestlé Corporate Business Principles, page 1  
CARE Executive Summary, page 1  
ICAS - Employee Assistance Line, page 1  
Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 22 & 23



75. Does your company publicly endorse (having signed or publicly acknowledging adherence to) one or more of the following charters/frameworks?

- UN Universal Declaration of Human Rights
- ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy
- OECD Guidelines for Multinational Enterprises
- Other national / international charters related to labor practices/basic rights issues (e.g. based on above mentioned guidelines), please specify and attach document: See under comment
- No charter/s signed or publicly endorsed
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

The Nestlé Corporate Business Principles endorse the 10 Principles of the United Nations Global Compact (UNGC), whose Human Rights and Labour Principles are based on the Universal Bill of Rights (Universal Declaration and the two Covenants), as well as on the fundamental ILO Conventions. Furthermore the Corporate Business Principles commit the company to the OECD Guidelines for Multinational Enterprises, the ICC Business Charter for Sustainable Development and specifically refer to the UN Convention of the Rights of the Child, the ILO Convention 138 on the Minimum Age for Employment, the ILO Convention 182 on the Worst Forms of Child Labour and to the World Health Organisation's (WHO) International Code of Marketing of Breast-milk Substitutes. Nestlé also publicly supports the ILO Tripartite Declaration on Multinational Enterprises (see speech by Chairman Peter Brabeck at the ILO for the 30th Anniversary of the Tripartite Declaration, 16 November 2007

(<http://www.ilo.org/public/english/employment/multi/events/multiforum07/speeches/brabeck.pdf>)

The implementation of the Nestlé Corporate Business Principles is audited both internally and externally (through Nestlé CARE Program). The essence of the Corporate Business Principles is also contained in the Nestlé Supplier Code. Evidently, Nestlé complies with national law and regulations in the countries, in which it operates. At present, Nestlé is conducting a comprehensive Human Rights Compliance Assessment (HRCA) with the Danish Institute for Human Rights, in order to evaluate potential human rights risks in corporate policies or monitoring systems.

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 26 to 28  
CARE Executive Summary  
CARE Audit Report  
Management Report 2008, page 14 to 22

Corporate Business Principles, page 6 to 16  
 The Nestlé Supplier Code  
 Creating Shared Value, page 52 & 53  
 Nestlé commitment to Africa, page 28, 49 to 53  
 Nestlé and the community  
 Nestlé, the community and the United Nations Millenium Development Goals, page 2 & 3  
 Nestlé concept of corporate social responsibility LatAm, page 7 & 8



76. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company. Please disregard the reference and comment button.

Please press "save+next" to proceed to the next question.

*Comment:*

## Human Capital Development



77. Please indicate the implementation of your company's formalized skill mapping and developing process. Please indicate the coverage for each employee category and attach relevant information.

✓ Yes implemented for:

Employee Category	Coverage in %
Executive/Top management	100%
Middle/General management	100%
First line management/Supervisor	80%
Specialists groups	80%
Other employees, please specify:	70%

- No formalized skill mapping and developing process implemented
- Not applicable. Please provide explanations in the comment box below.
- Not known

*Comment:*

All non-hourly paid employees are expected to participate in a formal process of PROGRESS & DEVELOPMENT REVIEW which links achievement of objectives with an analysis of strengths and developments relative to functional skills requirements and behavioural competencies which are described in the NESTLE LEADERSHIP FRAMEWORK document. In addition, career development aspirations are discussed and documented. These are completed by employee in discussion with their immediate manager between December and February. The average completion rate of PDG (PROGRESS & DEVELOPMENT GUIDES) worldwide is around 80% (manual process in some markets prevents a fully accurate measure). For Hourly paid employees, local practices vary depending on the stage of maturity of the site, normally a simplified version of the PDG. It is Nestlé's aspiration that all employees have development plans. As part of the annual MANAGEMENT DEVELOPMENT CYCLE, management teams at Market, Regional and Corporate levels conduct talent reviews to agree on those with potential for further career development opportunities and make succession plans. Some functions (eg: Finance and Supply Chain) provide intranet-based detailed COMPETENCY-DESCRIPTIONS for all key functional positions, recommended curricula or other learning tools and career maps to show how to progress from one position to another, and recommended ways to acquire the competencies. A key Corporate HR initiative is to complete this for all Functions by end of 2010.

*References:*

HR Performance through People, J-M Duvoisin - June 2008, page 28

Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 19 & 20  
People Development Review Nestlé  
The Nestlé Creating Shared Value Report, page 24  
Nestlé commitment to Africa, page 34 to 37  
Nestlé concept of corporate social responsibility LatAm, page 33 to 37  
Nestlé on the move, page 14 & 15  
Innovating the Future, page 6, 8, 9, 10 & 14  
Progress Development Guide  
Performance Evaluation  
Corporate Management Development & Sourcing, page 7 to 23  
Nestlé leadership framework, page 3 to 5  
Nestlé Management & Leadership Principles, page 11 & 15  
Corporate Business Principles, page 12  
Nestlé Human Resources Policy, page 5 & 11 to 13  
Management Report 2008, page 32 & 33



78. Please indicate which performance indicators your company uses to measure the execution of your skill mapping and developing strategy. Please provide specific documents on performance indicators.
- Non-financial indicators/ratios (e.g. number of hours spent in trainings, company-specific skills categorization), please specify: e.g. - Number of key positions - Number of successors - Group Talent Pool increase - Follow-up on performance (number of progress and development guides) - # of attendance to Leadership program - Gender presentation - Cross Zones /international/ business transfers - Time in position - Turnover rate - Retention of key people - Training days per employee - Nestlé CARE Program result
  - Cost-based indicators/ratios (e.g. training cost per employee), please specify:  

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  - Value-based human resource indicators (e.g. ROI - Return on investment per employee, EVA - Economic value added per employee), please specify:  

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  - Other HR performance indicators Please specify: - Nestlé Leadership Framework 13 behaviors - Nestlé on the Move
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

*Comment:*

*References:*

HR Performance through People, J-M Duvoisin - June 2008, page 7, 22, 29, 31, 33, 34  
Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 19  
The Nestlé Creating Shared Value Report, page 20-25  
Nestlé on the move, page 9 & 13  
Performance Evaluation  
Progress Development Guide  
Nestlé Human Resource Policy, page 11 to 13  
Nestlé concept of corporate social responsibility LatAm, page 36 & 37  
Corporate Management Development & Sourcing, page 7 to 23  
Nestlé Management & Leadership Principles, page 1 to 3  
Nestlé on the move, page 3



79. Please indicate the tools and processes widely adopted by your company to manage organizational learning and knowledge management.
- Formal knowledge/learning networks with regular meetings and staff support
  - Intranet based Knowledge Repositories/Databases
  - Intranet based interactive knowledge platforms integrated into daily work processes
  - Peer group KPI comparisons across Business Units

- ✓ Systematically accessible process descriptions of best practice processes
- ✓ Company university or external comparable education facility
- ✓ Employee idea management system integrated
- No such tools and processes used
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

FORMAL KNOWLEDGE/LEARNING NETWORKS: With regular meetings and staff support, each Corporate Function exercises its functional leadership and ensures an adequate knowledge transfer process through their communities of experts in all Markets, in order to ensure that all Nestlé operating companies leverage from it and performs according to global best practices and policies. INTRANET BASED KNOWLEDGE REPOSITORIES/DATABASE: We have a worldwide Intranet organized by Functional Communities to facilitate our Nestlé employees the access to relevant knowledge repositories and databases. Information is grouped in: Corporate, Marketing and Sales, Procurement, Supply Chain, Technical & Production, Research & Development, Finance & Control, Human Resources, GLOBE & IS/IT # Through Intranet, employees worldwide can access to several global, regional or local databases, according to their user profile. Global databases include: the Best Practice Library, Documentum, e-Learning courses, corporate documents, policies, standards and procedures # INTRANET BASED ACTIVE KNOWLEDGE PLATFORMS: We have in most markets a global integrated platform based on SAP to execute our daily working processes [96% of Markets live in GLOBE]. More than 80#000 learning objects are available in Intranet so users can access to refresh learning needed to perform effectively their jobs. Among the learning objects, there are interactive simulations to allow users to learn by trial and error. Teamrooms (on Microsoft ambient) is our formal collaborative on-line tool, extensively used by communities to share information and work on projects. SYSTEMATICALLY ACCESSIBLE PROCESS DESCRIPTIONS OF BEST PRACTICE PROCESSES: Nestlé GLOBE SAP is based on a Best Practice Library, which describes the E2E process, data standards and best practices needed to execute the working process effectively. COMPANY UNIVERSITY or external comparable education facility: Please refer to information about Rive-Reine and Markets#s Training Department mentioned on Question N°31. EMPLOYEE IDEA MANAGEMENT SYSTEM INTEGRATED : NCE (Nestlé Continuous Excellence) program is rolled out worldwide. Based on LEAN thinking, TPM (Total Performance Management), People development and goals alignment. All these are constituting our worldwide Nestlé Integrated Management System (NIMS). NCE is our strategic competitive program to leverage Nestlé unique's capabilities, knowledge, diversity and GLOBE (Global Business Excellence) activities around the world.

**References:**

Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 5, 12 & 15 to 23  
 HR Performance through People, J-M Duvoisin - June 2008, page 12 to 19  
 Employee Survey - " Nestlé & I "  
 Training International Rive Reine Program 2009 2010  
 People Development Review Nestle  
 Management Report 2008, page 32, 33, 46  
 Corporate Management Development & Sourcing, page 7 to 23  
 Nestlé Human Resources Policy, page 4 6 11 to 13  
 Nestlé on the move, page 14 & 15  
 People Development Review Nestle, page 2 & 3  
 Innovating the Future, page 6, 8, 9, 10 & 14  
 GLOBE Coverage of Emerging Markets, page 1

## Talent Attraction & Retention

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80. Please indicate the percentage for each employee categorization, which are covered by a predefined and standardized performance appraisal process.





Employee Category	Coverage in %
Executive/Top management:	100%
Middle/General management:	100%
First line management/Supervisor:	100%
Specialist groups:	100%
Other employees, please specify:	100%

- No predefined and standardized performance appraisal process
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Please refer to Question N° 77. In addition, during 2010, a new PERFORMANCE EVALUATION PROCESS will be deployed globally which is designed to help managers and employees to clarify objectives and performance expectations have ongoing review and coaching as needed complete an interim review after 6 months complete a formal end of year evaluation of performance. Performance in this context is defined as WHAT (OBJECTIVES & JOB RESPONSIBILITIES) and HOW (with 4 GLOBALLY DEFINED BEHAVIOURS). This will enable all employees to have feedback about their performance and where they can improve

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 31  
Performance Evaluation  
Progress Development Guide  
Nestlé Management & Leadership Principles, page 1  
Nestlé Human Ressource Policy, page 6, 11 & 12  
Nestlé on the move, page 6 & 9 & 12



81. What is the share of performance-related compensation for each employee category as a percentage of total compensation (excluding pension plans and fringe benefits) that your company paid out in the last year?

✓

Employee Category	Percentage of total compensation
Executive/Top management:	31%
Middle/General management:	25%
First line management/Supervisor:	17%
Specialist groups:	11%
Other employees, please specify:	6%

- No performance related compensation
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Performance-related (variable) compensation at Nestlé includes annual bonuses, profit sharing plans as well as sales incentive plans.. Performance related pay make up a certain portion of most white-collar staff in the organisation. Factory workers would not normally receive any performance-related compensation, except if determined by collective labor agreement. The weight of the share of performance-related compensation as compared to the total compensation is increasing with the hierarchical level of the position. In sales there are different schemes in most of the countries. As a general rule, in sales the fix part of salary is 2/3 and the variable part is 1/3. It has to be noted that the Base Salary (often referred to as fixed compensation) is also developing in line with collective and individual performance. For Executive Board Compensation please refer to the Corporate Governance Report 2008 ( page 28 to 31 )

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 21, 22 & 31  
 Corporate Governance Report 2008, page 29 to 31  
 Nestlé on the move, page 10 & 11  
 Nestlé Human Ressource Policy, page 10



82. Please indicate for each employee category the percentage of variable compensation that is based on corporate and/or individual performance respectively. The sum of the percentages in each employee category (row) must equal 100%.

✓

Employee Category	Share of variable compensation based on corporate performance [%]	Share of variable compensation based on individual performance [%]
Executive/Top Management	30%	70%
Middle/General Management	30%	70%
First Line management / Supervisors	30%	70%
Specialist Groups	100%	0%
Other employees, please specify:	100%	0%

- No performance related compensation  
 Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

The payout of variable compensation is determined on the achievement of a set of predefined objectives. These can reflect corporate (collective) as well as individual performance. The weight of these two elements can vary between different Nestlé units. The overall objective is to have a balance between corporate and individual objectives. The split is determined by the level of the position in the organisation, the nature of the respective Nestlé Unit (operating company, head office). The figures in the table above provide an example for the head office of the Group. In operating companies, the weight of the corporate objectives is generally higher than in a head office unit. For Executive Board Compensation please refer to the Corporate Governance Report 2008 ( page 30 & 31 )

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 21, 22 & 31  
 Corporate Governance Report 2008, page 30 & 31  
 Nestlé on the move, page 10 & 11  
 Nestlé Human Ressource Policy, page 10



83. Please indicate your company's pre-defined corporate indicators relevant for the variable compensation of Executive / Top Management.

- Internal Financial Success Metrics (e.g. cashflow, EBIT, Revenues)  
 External Financial Success Metrics (e.g. Share price, Tobins Q)  
 External perception metrics (e.g. reputational risks, brand recognition, customer satisfaction, feedback from stakeholders)  
 Environmental metrics (e.g. corporate Emission reduction)  
 Social metrics (e.g. corporate Health & Safety figure)  
 No corporate indicators relevant for performance related compensation pre-defined  
 Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

The corporate indicators relevant for the variable compensation of Executive/Top management are mainly Internal Financial Success Metrics such as REAL INTERNAL GROWTH (RIG) , ORGANIC

GROWTH, EBIT or WORKING CAPITAL EMPLOYMENT. These metrics are usually supplemented by some other objectives reflecting those of the unit in question. For Executive Board Compensation criteria please refer to the Corporate Governance Report 2008 ( page 28 & 29 )

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 21, 22 & 31  
Corporate Governance Report 2008, page 28 & 29  
Nestlé on the move, page 10 & 11  
Nestlé Human Ressource Policy, page 10  
Corporate Management Development & Sourcing, page 3 to 5  
Performance Sales Q1 - 2009  
Performance Results 2008



84. Please indicate the type and employee coverage of individual performance appraisals, which are used for individual performance related compensation.

- Management by Objectives: Systematic use of agreed measurable targets by line superior 100% of all employees
- Multidimensional performance appraisal (e.g. 360 degree feedback)    % of all employees
- Formal comparative ranking of employees within one employee category    % of all employees
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

All managers and employees who receive individual performance related compensation are covered by a performance evaluation program. The objectives are stated at the beginning of the performance year, the achievement levels determined at the end. The achievement level of each objective (corporate and individual) determine the payout of the variable compensation For Executive Board Compensation please refer to the Corporate Governance Report 2008 ( page 28 & 29 )

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 21, 22 & 31  
Corporate Governance Report 2008, page 28 & 29  
Nestlé on the move, page 10 & 11  
Nestlé Human Resources Policy, page 10  
Progress Development Guide  
Performance Evaluation



85. Is the individual performance of each employee (relevant for variable compensation) communicated to the next upper management level?

- Yes, regularly communicated. Please specify: Performance Evaluation (PE) and Progress and Development Guides (PDG) are reviewed and signed by the next level of management. In the new PE as from 2010, PE ratings will also be reviewed and calibrated by peer level management to ensure good levels of consistency.
- Not communicated
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

**References:**

Progress Development Guide  
Performance Evaluation



86. Please indicate the type and its percentage share of total performance-related compensation (excluding

pension plans and fringe benefits) which your company paid out/granted for the last year. The sum of all types of performance-related pay equals 100%.

Payout Type	Percentage(Sum must equal 100%.)
Annual cash bonus	85%
Shares/share options immediately available or with a locking period of less than 4 years	15%
Shares/share options with a locking period of a minimum 4 years	%
Other pay-out types immediately available or with a locking period of less than 4 years, please specify:	%
Other pay-out types with a locking period of a minimum 4 years, please specify:	%

- No performance related compensation  
 Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

The company puts considerable emphasis on variable compensation. It is a reflection of its COMMITMENT TO PERFORMANCE. The large portion of variable pay is made up of the Annual Cash Bonus. It is determined by a combination of corporate and individual objectives. A smaller portion of variable pay is delivered through Long-Term Incentive Plans. These are essentially retention plans for key management staff. Participation in such plans is limited to around 1% of the total Nestlé population. The blocking period of LTI benefits is generally three years. For Executive Board Compensation please refer to the Corporate Governance Report 2008 ( page 28 to 31 )

**References:**

Nestlé on the move, page 10 & 11  
 Nestlé Human Resource Policy, page 10  
 Corporate Governance Report 2008, page 28 to 31  
 Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 3 & 24



87. Please indicate in the following table the satisfaction level of your employees based on your company's employee satisfaction surveys.

Indicator	2005	2006	2007	2008	Explanation of trend
Employee satisfaction, e.g. committed, motivated, satisfied employees (100% equals maximum satisfaction level)	82%	82%	85%	85%	The satisfaction level of our employees as per our Nestlé and I survey is rated at 5.1 on a scale of 6.0. People eligible at LTIP ( Long term incentive plan ) have a rate of 5.4 on a scale of 6.0
Percentage of employees covered through employee surveys	58%	58%	35%	45%	

- No employee satisfaction trend analysis
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Since mid 2008 we are reviewing and upgrading our existing Employee Survey (called " Nestlé and I " ) with the support of the Hay Group. The objective of the future enhanced Employee Survey being to ensure that we measure not only EMPLOYEE SATISFACTION but also ALIGNMENT WITH THE COMPANY STRATEGIC ROADMAP. Furthermore, the intent of the future survey will be at the same time to enable us to BENCHMARK WITH OTHER COMPANIES and to build on Nestlé strengths, specificities and competitive advantages (Nestlé MANAGEMENT & LEADERSHIP FRAMEWORK) The key areas we want to ensure we measure globally are enablement, engagement, alignment with strategic objectives, and leadership. Alignment with other surveys, self assessments and audit programs ( CARE included ) are being looked at with special attention. Regarding alignment with the NCE program (Nestlé Continuous Excellence), we are including areas that are important to the people aspects of NCE, such as questions about the COACHING style of leadership

**References:**

HR Performance through People, J-M Duvoisin - June 2008, page 39  
Employee Survey - " Nestlé & I "  
Operations Creating Performance Gaps versus competition, J. Lopez - June 2008, page 12 to 18 & 22



88. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The evaluation will be filled in by the responsible analyst of your industry. No additional information is required from your company. Please disregard the reference and comment button.  
Please press "save+next" to proceed to the next question.

**Comment:**

## Corporate Citizenship/Philanthropy

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89. Does your company have a system in place to systematically measure the impact of your company's voluntary social contributions in order to further improve/re-align the company's corporate citizenship and philanthropy strategy? Please provide supporting documents:
- Business outcomes and impact (e.g. product innovation)
  - Social outcomes and impact
  - Impact on corporate reputation and stakeholder satisfaction
  - Other, please specify: \_\_\_\_\_
- No system in place
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Here are some examples for each: BUSINESS OUTCOME & IMPACT: see Maggi bouillon made with iodised salt (based on findings by the Nestlé foundation for the study of problems of nutrition in the World) or MILO in motion on p.38 and p.42 of the Africa report. SOCIAL OUTCOME & IMPACT: Nestlé is a founding corporate sponsor of the International Federation of Red Cross and Red Crescent Societies Africa Health Programme, which has taught over 1.5 million African youth how to avoid contracting HIV/AIDS. We are also in partnership with UNDP for women empowerment programmes in rural areas in Pakistan; with the Lutheran World Federation to build water wells in

Rwanda. 9.1 million people have been reached by Nestle education programmes and initiatives which help to improve nutrition awareness, knowledge and understanding .(Nutritional needs and quality diets Creating Shared Value Report 2008) . IMPACT ON CORPORATE REPUTATION & STAKEHOLDER SATISFACTION: Fortune magazine's list of Most Admired Companies (Nestlé is the most admired company in Europe and Canada and has been either no.1 or 2 for the last 10 years in its industry). We were recently number one Most Admired Fortune Consumer Food Products Company. Universum's study of most desirable employers (Nestlé has been within the top 15 for three years in a row). FT's business leaders survey of most respected companies (Nestlé was within top 15 in the last two years). We also received high marks in Corporate Social Responsibility (no. 9) and integrity (no.10).

**References:**

Creating Shared Value  
Nestlé in the Community  
Community Nestle  
Nestlé commitment to Africa  
2009 Health and Safety



90. Please estimate the monetary value of your company's voluntary social contributions in the following categories in the last fiscal year. Please note that marketing and advertising budgets should not be considered for the calculation of the contributions.

✓ in currency: CHF 89 million

Type of contributions	Amount
Cash contributions	See comment section
In-kind giving:Employee volunteering duringpaid working hours	See comment section
In-kind giving:Product or service donationsProjects/partnerships or similar	Cost or tax valuationsee comment section
Total	In % of pre-tax profit/EBIT:see comment%

- Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

Nestlé makes voluntary contributions because it makes sound business sense to have close links with the communities in which we operate. Nestlé focuses particularly on the NUTRITION, HEALTH and WELL-BEING of CHILDREN and YOUNG ADULTS. In Brazil, Nestlé has reached up to 1,180,000 children with the NUTRIR EDUCATION PROGRAMME, teaching good nutrition in poor neighbourhoods. In the UK, around 250,000 youths have so far benefited from Nestlé-sponsored Make Space after-school centres which provide constructive activities and nutrition education, and the number is rising fast. In Russia, over 180,000 school children have been reached through a nutrition education programme using Sesame Street characters. In fighting childhood obesity, Nestlé has been the main sponsor in France of the highly successful EPODE programme (Together, Let's Prevent Childhood Obesity) and is a major sponsor of children's sporting activities around the world through national associations, particularly children's football. We recently announced the NESTLE HEALTHY KIDS GLOBAL PROGRAMME where we intend to double the number of countries in which we have nutrition and physical activity education projects by the end of 2011 bringing such schemes to over 100 countries where we operate. We currently support education programmes that reach over 10 million children. See nestle.com for further details. Nestlé provides large amounts of RELIEF FOOD SUPPLIES FOLLOWING HUMANITARIAN DISASTORS in Myanmar and China in access of 1 million Swiss Francs. Nestlé supports over 150 DEVELOPMENT PROGRAMMES which contribute to the UN MILLENIUM DEVELOPMENT GOALS to eradicate world poverty, most of which are funded at the local level by national Nestlé companies, as well as by the voluntary contributions programme at Nestlé headquarters in Vevey. A dedicated website detailing our corporate citizenship programs can be consulted at: [www.community.nestle.com](http://www.community.nestle.com) . 2006 saw the 40th anniversary of the Nestlé Foundation for the Study of NUTRITION PROBLEMS in the WORLD. One of the major achievements of this Foundation has been its contribution to the study of human energy requirements,with a particular emphasis on

energy needs during pregnancy and lactation. Nestlé also sponsors a range of CULTURAL ACTIVITIES, including dance, music and theatre, based on local needs. Finally, the Nestlé ART FOUNDATION is a major sponsor of artistic activity in Switzerland. At Head Office, Corporate Donations make contributions totalling almost CHF 4 mio (1 mio food donations and 3 mio money donations). This includes Swisscontact, Fondation Theodora (hospital clowns), Nestle Earthquake Reconstruction Project (China), Croix Rouge-Service Enfants, Aide Suisse aux Montagnards, Enfants du Monde, Regional and local projects for children and sport . Nestlé does not consolidate on a systematic basis figures for the total monetary value of cash and in-kind contributions allocated worldwide on an annual basis for Corporate Citizenship/Philanthropy. However, an internal study carried out on cash contributions in 2006 together with an estimate of in-kind contributions and the monetary return from endowment support that the company has provided to different Nestlé foundations would amount to around 1 percent of Nestlé's annual pre-tax profits. In the Management Report 2008 (page 14) we state that we fund social and environmental projects worth CHF50.7 million globally this year, and we loaned CHF 30 million in microcredit to farmers worldwide.

**References:**

Creating Shared Value  
Nestlé in the Community  
Nestlé, the community and the United Nations Millenium Development Goals  
2005 Community support  
Community Nestle  
Creating Shared Value, page 36, 37 & 52

## Social Reporting

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91. In this section we evaluate the content, context and coverage of the social reporting included in other reports or on your website (e.g. own publication, part of a sustainability/CSR report or of annual report). The evaluation will be filled in by the responsible analyst of your industry. Please press "save+next" to proceed to the next question.

**Comment:**

**References:**

Nestlé concept of corporate social responsibility LatAm  
Nestlé commitment to Africa  
Nestlé, the community and the United Nations Millenium Development Goals  
Nestlé and the community  
The Nestlé Creating Shared Value report 2008  
HR Performance through People, J-M Duvoisin - June 2008  
People Development Review Nestle  
Community Nestle  
The Nestlé Creating Shared Value Report  
Nestlé gene technology policy

## Standards for Suppliers

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92. For which of the following areas does your company apply standards for suppliers across all countries of operation?

- ✓ ✓ Environmental standards
  - ✓ ✓ Environmental management systems for the suppliers' operations
  - ✓ Environmental standards for products and services delivered by suppliers
  - ✓ Other environmental standards, please specify: Nestlé has two main sources of supply: 1. directly from farmers (in the case of agricultural raw material supply) 2. indirectly through suppliers (e.g. local manufacturers of semi processed materials, or trade companies) This chapter is dedicated to 2., supplier's management. Environmental standards for farmers

have been covered in the questions 55 to 60.

- Environmental standards of suppliers under development. Roll out planned within\_\_\_\_\_ months
- Labor standards
  - Non-Discrimination (based on race, sex, etc.)
  - OHS (Occupational Health & Safety)
  - Layoff practices
  - Forced or slave labor
  - Child labor
  - Freedom of association
  - Wages
  - Working hours and overtime
  - Disciplinary practices
  - Guidance regarding sub-contracting
  - Other labor standards, please specify:OHS includes emergency preparedness. Accomodation - if provided by the supplier.
- Labor standards of suppliers under development. Roll out planned within\_\_\_\_\_ months
- No standards
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

The Nestlé Supplier Code encompasses - apart from Environmental standards, Labor standards and Health & Safety requirements: - Business integrity (legal compliance, avoidance of bribery and corruption) - Sustainability - Supplying Farmers Farmers are encouraged to apply SUSTAINABLE FARMING METHODS. Where appropriate, Nestlé provides assistance in crop production and dairy farming. Such assistance includes the provision of RECOMMENDATIONS for the CONSERVATION of NATURAL RESOURCES (soil, water, air, energy, biodiversity) and/or techniques for reducing adverse environmental impact. All raw materials must meet both LEGAL and INTERNAL QUALITY CRITERIA, including limits on possible environmental contaminants; Nestlé requires that the supplier#s production and that of their suppliers: # MINIMIZE the NEGATIVE IMPACT on the environment (noise, air pollution, odours, energy, unnecessary transportation); # MINIMIZE the amount of WASTE produced and disposed of (gases, solids, liquids, waste water, etc.); # Avoids all undesirable substances entering their manufacturing process (e.g. heavy metals in pigments & printing inks, etc.). Whenever possible, delivery of all materials/goods to Nestlé sites should be carried out by energy-efficient, economic, and pollution-controlled means of transportation. Suppliers are encouraged to use environmentally SOUND BUSINESS PRACTICES and will be AUDITED accordingly. The Supplier Code was translated into major languages (www.nestle.com/suppliers) and many local languages. The Nestlé Supplier Code is COMMUNICATED to ALL SUPPLIERS, regardless of material, service or location. The Nestlé Supplier Code is communicated to farmers delivering directly to Nestlé through appropriate means (posters, summary, training,...) - pls. see document "Supplier Code - Basics for Farmers".

**References:**

Sample purchase order  
The Nestlé Supplier Code  
2009 Supplier's code



93. Please indicate which of the following elements your company has established to assure effective implementation of its standards for suppliers.
- First audits conducted at\_\_\_% of sites of new suppliers in 2008
  - Internal re-audits/spot-checks conducted at\_\_\_\_\_% of supplier sites during 2008
  - Independent external audits/spot-checks conducted at\_\_\_% of sites during 2008



- Require certification of suppliers to international standards (such as SA8000, ISO14001 or similar), please specify these standards and the level of implementation across your suppliers' base:1. Suppliers have to comply with the Nestlé Supplier Code which is based on international standards and conventions. 2. Certified management systems according to ISO 14001, OHSAS and SA 8000 are recognised as evidence of compliance with the corresponding requirements of the Supplier Code. This is an incentive for suppliers to obtain such certification. 3. Contract-manufacturers are either required to obtain certification according to ISO 14001 and OHSAS or to have an external audit according to Nestlé standards to verify compliance with the Supplier Code including Health&Safety and Environmental requirements by 2010.
- Corporate-wide information system for audit results, degree of compliance, action plans, schedules, please specify:Nestlé uses Sedex (www.sedex.org.uk) to store supplier audit results, monitor their degree of compliance, progress on action plans. Sedex allows suppliers to share audit reports and self-assessments with customers of their choice and thereby avoids duplication of assessments and audit fatigue.
- Provide opportunity for third parties to report non-compliance.
- Activities to integrate sub-contractors into the compliance system
- Other activities to assure effective implementation of your standards in your suppliers operations. Please specify:1. Nestlé is a member of the AIM-PROGRESS Task Force, an initiative of the leading FMCG companies that support the use of common evaluation methods to determine supplier performance and help promote responsible sourcing practices within the supply chain. Establishing common industry-wide practices will simplify and lower cost for suppliers to provide evidence of their compliance and performance whilst putting more emphasis on the implementation of improvement measures.
- No formal assurance system for the implementation of standards for suppliers in place
- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

In 2008, Nestlé started to verify suppliers' compliance with the requirements of the Supplier Code. As a pilot, 42 suppliers were requested to register on the Sedex platform (www.sedex.org.uk) and fill in a self-assessment questionnaire. In 2009, Nestlé extended the pilots to ensure compliance. 50 suppliers in Asia/Africa and 10 suppliers in Europe are currently undergoing the self assessment on Sedex and external audits. The self assessment (see attached self-assessment questionnaire) and audits (see audit guidelines and audit checklist) cover: - labour conditions - health and safety - environment - business integrity For further details on pilot assessments and roll-out, see attached presentation (Nestlé Responsible Sourcing)

**References:**

Supplier Assessment  
Responsible Sourcing Summary  
Nestlé Responsible Sourcing Checklist  
Nestlé Responsible Sourcing Programme  
Nestlé Responsible Sourcing Audit Guidelines  
Nestlé concept of corporate social responsibility LatAm  
The Nestlé Creating Shared Value Report, page 35  
The Nestlé Supplier Code



94. Please indicate the share of procurement costs for goods sourced according to these standards as a percentage of total procurement costs in the last fiscal year.
- \_\_\_% of total costs of goods
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

The Nestlé Supplier Code is A CONDITION TO SUPPLY for ALL SUPPLIERS WORLDWIDE

regardless of material, service or business relation with Nestlé. Since July 2008 the Supplier Code is part of all purchase orders and contracts. In 2008, the Supplier Code was communicated to 120.000 out of 165.000 suppliers that Nestlé had transactions with. In 2008, Nestlé sent 2,9 million Purchase Orders with the Supplier Code reference on them, accounting for 22 billion CHF of spend volume. In 2009, all active suppliers will receive the Supplier Code. By fulfilling the purchase order or contract, suppliers acknowledge the requirements of the Supplier Code. They are obliged to notify the Nestlé buyer in case of non-compliance or rejection. Key suppliers with which Nestlé has a contractual relationship are AUDITED in order to ensure that they comply with the Nestlé requirements and the Nestlé Supplier Code or that they are working actively to achieve compliance. Whenever instances of non-compliance are brought to the Company's attention, Nestlé will demand that corrective measures be initiated.

**References:**

Supplier Assessment  
Supplier Code - Escalation Procedure  
Sample purchase order  
Management Report 2008  
The Nestlé Supplier Code  
The Nestlé Creating Shared Value Report, page 35  
2009 Supplier's code



95. Please describe the way your company reacts in the case of suppliers not being compliant with your company's standards for suppliers. Please refer to documents using the reference button below.
- ✓  Policies and procedures for management of non-compliance to standards for suppliers are in place
    - ✓ Defined categories of non-compliance and defined categories of remediation actions
    - ✓ Joint company-supplier corrective action plan coupled to reaudits
    - ✓ Organizational learning for your company's sourcing system build into non-compliance management (e.g. change in reporting lines)
      - Effects of termination on worker's and local community's social fabric taken into account
  - No formal non-compliance management in place
  - Not applicable. Please provide explanations in the comment box below.
  - Not known

**Comment:**

Acknowledgement of the Supplier Code is a condition to supply. Compliance with the Nestlé Supplier Code will be a standard criterion for the approval of new suppliers as of 2010 and verified accordingly. At the discovery of non-compliance, Nestlé demands that appropriate corrective measures be taken. Evidence of effective implementation is required - either through a follow-up audit or desktop evidence if appropriate. Nestlé strategic buyers follow up on timely and effective implementation during regular Supplier Evaluation. Nestlé reserves the right to terminate supply agreements in case of non-compliances. If unresolved, major non conformity will result in discontinuing business with those suppliers.

**References:**

Responsible Sourcing Summary  
Nestlé Responsible Sourcing Programme  
The Nestlé Supplier Code



96. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The score will be filled in by the responsible analyst of your industry. Please press "save+next" to proceed to the next question.

**Comment:**

## Occupational Health & Safety

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97. Please complete the following table with lost-time injuries frequency rate (lost-time injuries per 200,000 hours worked) for employees and contractors

	LTIFR Unit	2005	2006	2007	2008	Industry benchmark (if available)	Please explain the trend
✓							
Employees	lost-time injuries per 200,000 hours worked	1.5	1.04	0.84	0.62		Nestlé continues reducing its accident rate at an accelerated rhythm. In 2008, we reduced lost time accidents by 21%, which is consistent with our previous years rate of reduction. This high reductio...
Contractors	lost-time injuries per 200,000 hours worked	0.66	0.56	0.38	0.30		Nestlé insists in making sure that contractor in our sites respect and benefit from all our safety management systems. For Nestlé, a contractor's safety is just as precious as an employee's safety. O...

- Not applicable. Please provide explanations in the comment box below.
- Not known

**Comment:**

Nestlé is committed to being a leader in workplace safety and health. The Nestlé Occupational Health and Safety Management System (NSMS) was revised in line with the 2007 edition of the international standard OHSAS 18001 and reissued to all Nestlé operations, reinforcing our commitment that #Safety is non-negotiable# (see attachment: "The Nestlé Policy on Safety and Health at Work" - PDF document). We intend to obtain certification of all our factories against OHSAS 18001. On the 5th of June 2009, 247 factories are certified, with the remaining scheduled to obtain their certificate in 2009 and 2010. OHSAS 18001 certificates are the demonstration that

each site has a working, fully functional and modern safety management system. The number of workplace injuries is being reduced at a rate of more than 20% year-on-year. In 2008 the number of injuries leading to one or more days away from work in Nestlé decreased to LESS THAN 1/2 of the number of lost time injuries we had in 2005. This is an excellent rate of improvement, with few parallels in the industry, but we are not satisfied and want to continue reducing it, at least at the same rate as in the past few years. Nestlé has developed a strong and highly organised network of safety specialists that operate in every country in which we do business. This network, together with continuous drive for excellence from the headquarters, are producing the results described above. As specified in "The Nestlé Policy on Safety and Health at Work" (see attachment), employees at all levels are empowered to assume ownership of workplace safety. Behavior based safety programs are implemented in all operational sites (including factories and distribution centers). Safety observations made by those most concerned are gathered and analyzed and measures to eliminate or manage risks are implemented. Custom-made tools have been put in place to track workplace safety key performance indicators. Safety practitioners and managers have access to reports about their local performance and those of other sites, enabling easy internal benchmarking and identification of best practices. Nestlé is determined to be one of the safest companies to work for in each market and business segment where it operates. More information can be found on the "Creating Shared Value Report", featured on <http://www.nestle.com>

**References:**

Compliance with Nestlé Corporate Business Principles  
 Health and Safety Nestlé  
 Sustainable operations  
 Management Report 2008, page 20 & 76  
 The Nestlé Creating Shared Value Report, page 22



98. Please complete the following table with the number of fatalities for employees and contractors

	Unit	2005	2006	2007	2008
Employees	number of fatalities	6	3	11	11
Contractors	number of fatalities	9	5	4	2

- Not applicable. Please provide explanations in the comment box below.  
 Not known

**Comment:**

As was the case in the previous years, more than half of the fatalities that occurred to our workforce (7 out of 11 for employees) were related to road traffic. We saw a smaller number of employee and contractor fatalities on our sites, although we were not able to meet our goal of zero. We continue devoting intense attention to this issue and every year we reinforce the prevention effort. We continue increasing the pressure on contractors and their management so that the Nestlé values and in particular safety are always respected while they work for us. We apply all safety principles and procedures to any worker inside our sites, independently of whether they are contractors, employees or even occasional visitors. Nestlé is pursuing a worldwide effort to contribute with driving safety in the countries where we operate. Fatalities on the road, even when they involve Nestlé employees, are beyond our sphere of direct control. The only way to improve is by contributing to the society's road safety in general in the country where we operate. For the first year in 2008, we gathered driving safety KPIs (number of accidents per million Km driven) from all our organisations worldwide. We are using these KPIs to monitor the effect of our safe driving programs.

**References:**

Management Report 2008, page 20 & 76  
 The Nestlé Creating Shared Value Report, page 22



99. Please indicate your company's occupational illness frequency rate (OIFR) for employees for the last financial year. If you do not use OIFR, please indicate whether you use an alternative management tool to

measure OIFR.

0.03 in 2008 per 200 thousand working hours.

Not known

Not applicable

**Comment:**

Since 2006, we differentiate between "event related" and "non event related" injuries, which until 2005 were computed together indiscriminately. "Non event related" injuries include occupational illnesses like Repetitive Strain Injuries or other musculo-skeletal disorders. These are the only significant occupational illnesses we see in our work. As demonstrated by the very low occupational illness frequency rate (0.027 per 200,000 hours in 2008, i.e. 4.4% of our Lost Time injury rate), we attach high importance to preventing these injuries and we are constantly improving the ergonomics of our workplaces.



100. In this section we include a performance score on the Corporate Sustainability Monitoring with the objective to verify the company's involvement and management of crisis situations that can have a damaging effect on reputation. The score will be filled in by the responsible analyst of your industry. Please press "save+next" to proceed to the next question.

**Comment:**

Nestlé is geared up to detect emerging issues as well as actual or perceived incidents related to the business, employees and production sites, and prevent them from turning into a crisis. Each market has its own Issues Round Table, an internal forum composed of representatives of all main business functions which discusses emerging issues. These local IRTs report to the global IRT at headquarters in Vevey, which has directive powers. In case of crisis, Nestlé's Crisis Preparedness and Management Procedures comprise detailed internal and external communications guidelines involving the CEO and other members of top management at the earliest possible stage. Local and global Crisis Committees are in place and trained regularly. Please also refer to question N° 16 regarding Nestlé CORPORATE RISK RESPONSE STRATEGY.