



# Our people

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## Human rights

We fully support the new United Nations Framework and Guiding Principles on Business and Human Rights, and we aim to be a best-practice example in the way we do business with respect for human rights.



## Internal training

Our people are extremely important to us, and we offer them the opportunity of an exciting career supported by continuous development and training.



## Wellness

It is our core aim to enhance the quality of consumers' lives every day, everywhere, and we apply these same principles to our employees.



## Diversity

We embrace diversity across our workforce, our customers and the communities where we work.



## Safety & health

Our Company is founded on caring: for our consumers, for the communities in which we operate, and most fundamentally for our colleagues.



## Engagement

We invite our people to contribute to identifying and carrying out improvements to the way we do business.



## Overview

### Our People and Creating Shared Value

**Value for Nestlé:** sustainable growth, strong corporate reputation, skilled and motivated workforce, improved performance, better business results.

**Value for society:** better standard of living, protected human rights, a safe and healthy workplace, employment and personal development opportunities, higher incomes.

### Context

The Nestlé team comprises 327 537 people [KPI]. 29% are based in Europe, 33.7% in the Americas and 37.4% in Asia, Oceania and Africa. Our challenge is to combine strategic corporate leadership with strong, responsive local leadership to achieve consistent high levels of performance and corporate responsibility across our business. Fostering our commitment to our principles, we have continued to build our focus on human rights and workplace relations. We are making every effort to maintain a safe, healthy, skilled, committed and stable workforce that will continue to deliver our competitive advantage.

### Goals

Our ambition is to provide continuous learning and talent management to help our employees develop and adapt their capabilities and career prospects in a rapidly changing world. In return, we expect our people to behave in a way that supports the following corporate principles: human rights in our business activities; leadership and personal responsibility; health and safety at work. The table below summarises our goals within each area of focus.



Creating Shared Value at Nestlé    Nutrition    Rural development    Water    Environmental sustainability    Compliance    **Our people**

Priority	Goals
<b>Anti-corruption</b>	Never engage in offering or receiving any financial or other advantage in return for preferential treatment or influence over decision makers.
<b>Human rights</b>	Fully support the United National Framework and Guiding Principles on Business and Human Rights and provide an example of good human rights and labour practices throughout our business activities.
<b>Labour practices</b>	Foster a culture based on values of trust, mutual respect and dialogue, and work together to create and maintain positive individual and collective relationships throughout our operations.
<b>Training and learning</b>	Provide continuous development and training for everyone from the factory floor to top management.
<b>Workplace wellness</b>	Provide workplace wellness programmes across the business to support a healthy workforce.
<b>Diversity</b>	Treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility. Provide equal opportunities and do not tolerate any form of discrimination.
<b>Health and safety</b>	Prevent all accidents, injuries and illnesses related to work, and protect employees, contractors and others involved along the value chain.
<b>Employee engagement</b>	Invite everyone to contribute to identifying and carrying out improvements to the way we do business.



### Policies and systems

- Corporate Business Principles;
- Management and Leadership Principles;
- Enterprise Risk Management Principles;
- Code of Business Conduct;
- Policy on Conditions of Work and Employment;
- Policy on Health and Safety at Work;
- Policy on Employee Relations;
- Policy on Human Resources; and
- Supplier Code.

### Our actions

- Continued to roll out a programme of OHSAS 18001 and 14000 accreditation for factories and other operational sites.
- Initiatives to improve driving safety.
- Continued to roll out our CARE audit programme worldwide.
- Training to increase awareness of our Corporate Business Principles, especially relating to human rights and labour practices.
- A comprehensive approach to human rights due diligence, which includes: policy development and implementation; targeted training; in-depth risks and impact assessments; consistent monitoring, auditing and reporting procedures; and ongoing engagement with our stakeholders.
- A two-year partnership with the Danish Institute for Human Rights to further improve our corporate systems and strengthen our human rights performance due diligence approach.
- Actions to improve gender balance, especially at senior levels.
- More succession planning and talent management across the business.

### Performance summary

- Our Corporate Business Principles have been made available in more than 50 languages; communication and training toolkits have been provided to every country.
- The average number of hours training per employee is 2.02 [KPI].
- Human rights impact assessments in our operations were carried out in three countries in 2011 (Nigeria, Angola, Sri Lanka), complementing the assessment in Colombia in 2010.



## Context

The Nestlé team comprises 327 537 people [KPI]. 29% are based in Europe (71% male and 29% female), 33.7% in the Americas (73% male and 27% female) and 37.4% in Asia, Oceania and Africa (59% male and 41% female). As a company operating across the world, we need to understand the global context as well as local laws, cultures, consumers and the needs of our employees in every country where we operate. We combine strategic corporate leadership with local leadership to maintain consistency across the Nestlé businesses, while remaining responsive in a local context.

### The economy

With the global economic challenge ongoing, it is vital that we retain our competitive advantage and continue to be a major contributor to economic development around the world. We need to be responsive to the changing circumstances of the markets and supply chains on which our success depends. At this challenging time, it is even more important that we focus on ensuring our business activities are sustainable and create shared value for society.

### Employment

Nestlé is a leading employer globally, and we must continue to engage and develop our workforce to be responsive to a rapidly changing world. Good employee engagement is vital for maintaining commitment and performance at a time when people may be concerned about job security.

Where we need to re-organise or change working practices, strong workplace relations will ensure we achieve the most positive changes, maintain morale and retain our best people. Through learning and training, we are equipping our people with the professional and personal skills and employability they need to give them the best possible future career choices at Nestlé.

### Human rights and labour relations

A key challenge for Nestlé is to meet the high human rights and workplace relations standards we set ourselves in our Corporate Business Principles, wherever we work in the world. Understanding and managing the risks is a priority, both within Nestlé and among our suppliers and contractors. We are increasingly focusing on the right to collective bargaining, non-discrimination, security practices and corruption.



## Policies and systems

Since it was founded, Nestlé's business practices have been built on integrity, honesty, fair dealing and full compliance with all applicable laws.

We expect our employees around the world to uphold and live this commitment every day, and our corporate reputation remains one of Nestlé's most important assets.

Read more about Our Corporate Business Principles, including:

- Human rights in our business activities;
- Leadership and personal responsibility;
- Health and safety at work; and
- Our CARE Audit programme.



## Our Corporate Business Principles

The Nestlé Corporate Business Principles are well established as the basis of our corporate culture. Our business is built on the fundamental principle that to have long-term success for our shareholders, we have to comply with all applicable legal requirements, ensure that all our activities are sustainable and create significant value for society. We call this Creating Shared Value.

Our Business Principles continue to evolve and adapt to a changing world and the changing needs of communities. The current version was adopted in 2010 and includes 10 overarching principles of business operation, linked to online copies of detailed policies, standards and guidelines to help achieve them. The Chairman and CEO of Nestlé are dedicated to ensuring the entire Company, including all individuals, is managed and committed to meet these standards. We permanently work to include them in all business planning, auditing and performance reviews across the Company.

Through 2010 and 2011, we have carried out a major programme of communication and internal engagement to raise awareness of our Corporate Business Principles. They are available in more than 50 languages, and communication and training toolkits have been used in every country. We have supported our people to help them understand our aims and what is expected of them. In 2011, our focus has been on building understanding of human rights and labour-related principles, especially among managers and employees in the countries where we face a greater human rights challenge.

Three of the Nestlé Corporate Business Principles – human rights in our business activities, leadership and personal responsibility, and health and safety at work – relate directly to our people, and we have a range of policies in place to ensure we adhere to them.

### Human rights in our business activities

We fully support the United Nations Framework and Guiding Principles on Business and Human Rights and aim to provide an example of good human rights and labour practices throughout our business activities.

Our Nestlé Supplier Code establishes non-negotiable minimum standards that we ask our suppliers, their employees, agents and subcontractors to respect and to adhere to at all times when conducting business.

The Nestlé Enterprise Risk Management Principles apply to the entire Nestlé Group and guide the mandatory risk management processes at corporate and market level, including for human rights and workplace relations issues.

The Nestlé Employee Relations Policy provides a frame of reference for our collective relationships with trade unions and other employee representatives based on the “human rights and labour practices” chapter of the Nestlé Corporate Business Principles.

A new policy on Conditions of Work and Employment was introduced in November 2011, which tackles issues such as temporary employment, outsourcing, working time or wages.



Read more about human rights, including respecting international standards, upholding our policy commitments, assigning organisational responsibilities and managing risks.

### **Leadership and personal responsibility**

We recruit competent and motivated people who respect our values, and provide equal opportunities for their development and advancement, protect their privacy and do not tolerate any form of harassment or discrimination.

Our Nestlé Management and Leadership Principles include the values and skills that every employee can adopt to help Nestlé maintain its competitive edge. The principles were fully revised in 2011 to reflect the changes in the Nestlé Corporate Business Principles, as well as the new policies and practices.

The Nestlé Code of Business Conduct establishes non-negotiable minimum standards of behaviour for all our people over issues such as compliance with the law, conflicts of interest, insider trading, fair dealing, confidential information, bribery and corruption, discrimination and harassment, and reporting non-compliance.

Our Human Resources Policy sets out guidelines for efficient and effective HR management across Nestlé businesses around the world.

In 2011, we began rolling out a new Integrity Reporting system to provide an independent mechanism for employees on Nestlé policies and procedures.

### **Safety, health and security**

#### **Safety and health**

We are committed to preventing accidents, injuries and illness related to work, and to protecting employees, contractors and others involved along the value chain.

The Nestlé Policy on Safety and Health at Work sets out everyone's responsibility for achieving zero accidents, including compliance, continuous improvement, behaviour, and leadership and participation. It also covers community, supply chain, contractors and others.

The Nestlé Occupational Health and Safety Management System helps us monitor and improve health and safety policy, process and performance.

For more information, including performance data, see Safety and health at Nestlé.

#### **Security practices**

As part of Nestlé's commitment to providing employees with a secure work environment, Nestlé Group Security (NGS), a global network of security professionals, has a mandate to help ensure a protected work environment that facilitates high-level performance.



The core purpose is to protect the Company's employees, assets and reputation against physical threats of any kind, using the following principles:

- close cooperation with all relevant authorities, always taking into account the social context and striving towards an efficient yet subtle approach;
- compliance with applicable laws and regulations as well as with Nestlé's internal rules, including the Nestlé Corporate Business Principles, the Nestlé Code of Business Conduct and the Nestlé management Leadership principles;
- consultation and alignment with Market, Zone and Group management, using a cross-functional approach.

Nestlé has a three-year roadmap that guides its security practices. In 2011, new Security Requirements were rolled out across the Group. Additionally, all markets were made subject to a security self-assessment that identifies potential gaps with the NGS Security Requirements and allows for full compliance with all NGS requirements by the end of 2012.

In 2011, a security module/questionnaire was also integrated into Nestlé's CARE audit programme.

#### CARE Audit programme

Our CARE Audit programme (**C**ompliance **A**ssessment of Human **R**esources, Occupational Health & Safety, **E**nvironment and Business Integrity) monitors our support for international conventions and the social elements of the Nestlé Corporate Business Principles, as well as compliance with local laws.

The Group-wide programme uses three independent external certification bodies to assess our commitment to socially responsible and environmentally sustainable business practices in four areas: occupational health and safety, labour standards, business integrity and the environment.

We have carried out over 1460 audits since 2005.

In 2011, we carried out CARE audits at 110 sites. No critical non-compliances were identified [KPI].



## Training and awareness

To complement policies and systems, Nestlé provides detailed guidelines and information on good practice, which are available to employees on the global intranet.

We also regularly communicate progress, performance and good practice to employees through the intranet and other channels, including face-to-face meetings.

Employees are trained to follow core business procedures as part of induction and on-the-job coaching.

We have also provided specific training for staff, including:

- general awareness training on the Nestlé Corporate Business Principles for all staff;
- a total of 7306 hours' training on human rights attended by 9653 employees;
- training on labour practices for employee relations managers across the three zones.



## Anti-corruption

The Nestlé Code of Business Conduct supports our Corporate Business Principles by establishing non-negotiable minimum standards of behaviour that we expect of our staff in key business areas. We help people to understand the Code of Conduct and we encourage them to seek guidance when they are unsure about the proper course of action in any situation.

We make it clear that it is the ultimate responsibility of every Nestlé employee to “do the right thing” and that they should always be guided by the following basic principles:

- avoid any conduct that could damage or risk Nestlé or its reputation;
- act legally and honestly; and
- put the Company's interests ahead of personal interests.

The Nestlé Code of Business Conduct fully supports the 10th United Nations Global Compact Principle – that businesses should work against corruption in all its forms, including extortion and bribery. The code clearly states that Nestlé employees must never engage in offering or receiving any financial or other advantage in return for preferential treatment or to influence decision makers.

Any activity that infringes these rules is investigated on a case-by-case basis and may result in disciplinary sanctions or criminal charges.

Nestlé's CEO and Chairman regularly emphasise what is expected of people. Responsibility for compliance lies with the senior market managers, and Chief Compliance Officers ensure adequate compliance infrastructure across the business.

We also commit our suppliers to our core business integrity standards, including bribery and corruption standards, through the Nestlé Supplier Code.

### Managing corruption risk

Anti-corruption monitoring is a core component of our business auditing, both internally and externally through our CARE programme. We use audit findings to identify areas for improvement but, as yet, Nestlé has not been subject to any public corruption allegation, and we are not aware of any pending cases.

After performing an anti-corruption assessment in 2010, we have developed an online training programme to help employees avoid inappropriate behaviour. This interactive tool, which incorporates seven short animations and a “best practice” document, has been made available to all markets and is designed to supplement existing training. We also have well established whistleblower procedures, local hotlines and a company-wide reporting system to supplement traditional reporting channels. The system, which we began rolling out in 2011, provides an additional option for anonymous, confidential reporting of non-compliance.



## Our performance

- We have provided training on our Corporate Business Principles, Code of Business Conduct and/or specific anti-corruption training to employees, with a stronger focus on those working in high-risk areas. In our future reporting, we aim to report the percentage of employees receiving this training.
- We have completed a high-level assessment of 80% of Nestlé businesses and operational areas for risks related to corruption.
- In 2011, there were no public allegations of incidents of corruption against Nestlé or our employees, and so no actions were required.



## Human rights

### Respecting international human rights standards

Respecting human rights in our business activities is one of our Corporate Business Principles. We fully support the new United Nations Framework and Guiding Principles on Business and Human Rights, and we aim to provide a best-practice example of how we do business with respect for human rights at a corporate and market level.

As well as complying with all national laws, we expect all Nestlé business entities to respect internationally recognised human rights standards set out in:

- the new United Nations Framework and Guiding Principles on Business and Human Rights;
- the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights and the main instruments through which it has been codified: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights); and
- the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work (which builds upon the eight core Conventions of the ILO).

Through policy development and implementation, targeted training, in-depth risks and impacts assessments, consistent monitoring, auditing and reporting procedures, and ongoing engagement with our stakeholders, we fully support our managers and staff on the ground to ensure they all understand the requirements of our Corporate Business Principles and other relevant policies and standards and what is expected of them.

### Upholding our policy commitments

In addition to our overall engagement to respect internationally recognised human rights standards, our commitments in Nestlé's Corporate Business Principles state that we:

- support and respect the protection of human rights within our sphere of influence (UNGC Principle 1);
- make sure we are not complicit in human rights abuses (UNGC Principle 2);
- are against all forms of exploitation of children;
- recognise privacy as a human right;
- expect each of our companies to respect and follow local laws and regulations concerning human rights practices. Where our own principles and regulations are stricter than local legislation, the higher standard applies; and
- adhere to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO) and the OECD Guidelines for Multinational Enterprises.



A number of our human rights commitments are further addressed in more specific policies and standards, such as:

- the Policy on Conditions of Work and Employment (the right to just and favourable conditions of work);
- the Nestlé Employee Relations Policy (the right to freedom of association);
- the Nestlé Leadership and Management Principles and Our Code of Business Conduct (the right to freedom from discrimination);
- the Nestlé Policy on Health and Safety at Work (the right to health);
- Flexible Work Environment at Nestlé (the right to family life);
- our Privacy Policy (the right to privacy);
- the Nestlé Supplier Code (rights to freedom from forced labour; freedom from child labour; just and favourable conditions of work; freedom from discrimination; freedom of association; health; water);
- the Nestlé Group Security Standard; and
- Every Drop Counts, The Nestlé Commitments on Water (the right to water).



## Identifying and managing human rights risks

The Nestlé Enterprise Risk Management Principles guide the integration process of human rights risks into our overall risk assessment and management system. For this purpose, in 2011 we conducted a corporate human rights risk assessment against 39 indicators covering the full human rights spectrum. This cross-functional exercise was carried out in close cooperation with relevant Nestlé departments, the Danish Institute for Human Rights (DIHR) and the Fair Labor Association, and led to the following main outcomes:

- five human rights risks were identified as “high” in the following areas: procurement and supply chain; freedom of association and collective bargaining; working hours; workplace equipment and training; procurement and supply chain; and community impacts. 27 indicators were identified as “medium” and five as “low” risks;
- a specific action plan has been drafted to address the risks identified as high. These risks have also been incorporated into our Market Risk Management (see box below);
- the Policy on Conditions of Work and Employment was developed; and
- three additional risk assessments were carried out, focusing on specific risks in our supply chain (separate assessments for tier 1 and upstream suppliers) and impacts on local communities. These assessments helped us identify 75 additional risks, among which 24 were rated as “high”.

### Markets Human Rights Risk Assessments

From 2011, each high-risk market (identified based on the FTSE4Good list of countries of concern) is required to report on a specific set of human rights indicators on an annual basis. These indicators result from the corporate human rights risk assessment (see above), which is updated annually. This year, the Markets Human Rights Risk Assessments process resulted in:

- all high-risk markets but one have considered human rights risks as part of their overall Risk Management System. The missing market (consisting of nine high-risk countries) will integrate them in its 2012 assessment process;
- 61 different human rights risks being identified: 15 were assessed as “medium” in nine markets and 46 as “low” in 13 markets; and
- 16 different action plans being elaborated at the market level in order to prevent or manage existing human rights risks in areas such as: collective bargaining; employee grievance mechanisms; non-permanent workers; suppliers’ human rights commitments and record; community impacts.



## Assessing and addressing human rights impacts

In 2011, in collaboration with the Danish Institute for Human Rights (DIHR), we conducted three comprehensive impact assessments of our operations in Nigeria, Angola and Sri Lanka, which complement the assessment carried out in Colombia in 2010.

These impact assessments typically include desktop reviews of the human rights situation at the national/regional level, in-depth interviews with Nestlé staff and management (based on a comprehensive set of human rights indicators from the DIHR Human Rights Compliance Assessment), a visit to all Nestlé facilities and a selection of direct and indirect suppliers, including farmers, and thorough stakeholder consultations with trade unions, national and local authorities, civil society organisations and, where relevant, international organisations.

Remediation action plans have to be drafted by each country, based on the independent assessment report and recommendations from the DIHR. In addition, the results of these assessments are reviewed at the corporate level and feed into our overall human rights due diligence and policy review processes.

We will continue to carry out more impact assessments in high human rights risk markets, based on the FTSE4Good list of countries of concern.

Read more in Community engagement, including respect for the rights of indigenous peoples.

## Assigning organisational responsibilities

Adherence to the Nestlé Corporate Business Principles is required from all our employees around the world. The Chairman and Chief Executive Officer of Nestlé are committed to making sure that the entire Company is managed according to these Principles, including Principle 4 on “Human rights in our business activities”. (See “Commitment of the Chairman and Chief Executive Officer” in the Nestlé Corporate Business Principles).

In 2011, a new cross-functional coordination structure was established within Nestlé to manage human rights. The Nestlé Human Rights Working Group (HRWG) has been set up to strengthen the effectiveness and improve the coordination of human rights-related activities and initiatives within the Company. It includes representatives from the relevant departments, including Risk Management, Legal, Human Resources, Health and Safety, Environment, Compliance, Security, Procurement and Public Affairs.

The HRWG is co-chaired by Human Resources and Public Affairs and meets at least once a month. It is in charge of:

- supervising and coordinating progress made on the implementation of human rights at a corporate and market level against Nestlé commitments;
- providing strategic orientation on areas that need to be prioritised to further embed human rights within Nestlé’s structure and operations;
- contributing technical expertise to ongoing and future human rights initiatives and activities; and
- pre-empting and discussing specific Nestlé-related human rights issues and any action to be taken.

The HRWG also provides input to the Nestlé Corporate Compliance Committee and to the Nestlé Corporate Issues Roundtable. It reports directly to the Executive Board of Management, when necessary.



## Promoting strategic partnerships

In addition to this internal structure, a two-year partnership was signed in 2010 with the Danish Institute for Human Rights with the aim of better integrating human rights into our corporate systems and strengthening our overall approach to human rights due diligence. This partnership formalises a collaboration that began in 2008, the main outcomes of which are summarised in an article in the Global Compact International Yearbook 2011.

Furthermore, in November 2011 we became the first food company to work with the Fair Labor Association (FLA) to identify the root causes of child labour, and discuss sustainable and lasting ways of addressing them. We became a formal member of the FLA in 2012.



## Raising awareness and providing training to our employees

Our Corporate Business Principles, including Principle 4 “Human rights in our business activities”, have been translated into 52 languages and distributed to all our employees.

In addition, specific training sessions have been developed on the Principles and integrated into four existing training programmes: Advanced Marketing and Sales, Finance, Production and Executive. These training programmes are delivered on a regular basis to our employees at the Nestlé International Training Center (Rive-Reine) as well as in the markets.

In October 2011, we launched a specific online human rights training tool for Nestlé employees. This training explains how human rights relate to business and in particular how they apply in our operations, based on internationally recognised human rights standards and real case examples. The roll-out of this training has been made mandatory in high human rights risk markets, based on the FTSE4Good list of countries of concern. So far, it has been translated into Cambodian, Chinese, Cingalese, English, French, Japanese, Portuguese, Russian and Spanish. This first round of training will continue in 2012 and be completed with more in-depth, function-specific training to be implemented at the corporate and markets levels.

See the Performance and initiatives sub-section for interim results on the implementation of the human rights training.



## Monitoring our performance

Our CARE external and independent audit programme helps us monitor compliance with a number of human rights issues in the fields of human resources, health and safety, environment, and business integrity.

CARE content was reviewed in 2011 and now incorporates a full and stand-alone section on Human Rights and Labour Practices, which includes audit indicators on hiring and layoff practices, employment practices, child and young worker labour, working time, wages (compensation and benefits), harassment, and non-discrimination. New sections on local communities and security have also been added to CARE. This new version has been tested in Cote d'Ivoire and will be launched in all markets from early 2012.

In addition to the external CARE audit process, the internal Nestlé Group Audit function monitors the implementation of the Nestlé Corporate Business Principles, including Principle 4 on "Human rights in our business activities".

See Assessing and addressing human rights impacts and Identifying and managing human rights risks sections for more information on additional monitoring and evaluation mechanisms at the market level.



## Performance and initiatives

### Our performance

In 2011, all our General Counsels based in the markets were asked to screen their major local investment agreements and contracts for human rights concerns. This exercise was completed by 63 out of our 64 market-level Legal Departments. No specific clause with direct negative impact on human rights was identified during the screening. Our work on this topic will continue in 2012.

Relevant human rights-related elements were included in the merger and acquisition (M&A) due diligence of the two Chinese companies Yin Lu and Hsu Fu Chi. A review of M&A due diligence guidelines from a human rights perspective is under consideration.

Four Nestlé markets (Nigeria, Colombia, Angola and Sri Lanka) have now been subject to in-depth impact assessments.

In addition, in 2011 we carried out CARE audits at 111 sites. No critical non-compliances were identified [KPI].

We are currently upgrading our management systems to improve the way grievances related to human rights are filed, addressed and resolved through formal grievance procedures. This data will be available in 2012.

### Training

This year we rolled out a training tool on our Corporate Business Principles relating to human rights in our business activities. The training has been made mandatory in all high-risk countries (identified based on FTSE4Good countries of concern) and recommended in others.

So far 9653 employees in 53 countries (2.95% of employees) have completed this training, totalling 7306 hours. We will continue to roll out this training during 2012 with an ongoing focus on employees working in countries with a higher human rights risk.

### Promoting Non-Discrimination

We make it a priority that our leaders and all staff are personally responsible for treating each other with respect and dignity, and we do not tolerate any form of discrimination. This is one of our 10 Corporate Business Principles.

In 2011, we were aware of 91 incidents of discrimination. For those incidents, corrective actions were implemented locally. In 20 cases, Nestlé reviewed the incident thoroughly, in six of the cases a remediation plan is currently being implemented, in five cases a remediation plan has been implemented and the results reviewed through internal management processes, and in 60 cases the incidents have been entirely resolved.

### Combating child and forced or compulsory labour

Nestlé is against all forms of exploitation of children and any form of forced or compulsory labour, and we have been working to identify where we consider there to be a significant risk in our own operations. In 2011, we became the first food company to work with the Fair Labor Association (FLA) to identify the root causes of child labour, and consider sustainable and lasting ways of addressing them.



As part of our Corporate Human Rights Risk Assessment process, child labour and forced or compulsory labour were not identified as risks at the factory level. Nevertheless, child, forced or compulsory labour are verified on an ongoing basis through our worldwide CARE audit process covering Nestlé sites and Responsible Sourcing Audit programme covering our tier one suppliers.

### Human rights initiatives

We are a founding member of the Common Code for the Coffee Community Association, and we follow a voluntary code of conduct to improve efficiency, profitability, transparency and sustainability across the global coffee industry. Protecting the human rights of workers in the coffee industry is a key aim of the Code.

In Colombia, we helped to set up “Guias Columbia” (Guidelines for Colombia), a set of Voluntary Principles on Security and Human Rights. We are involved in ongoing dialogue with Alliance Sud, a group of Swiss NGOs to improve relationships and dialogue with trade unions and communities on human rights issues in Colombia.

After five years of engagement, during which the impact of our activities and our relationships with trade unions and local communities on national development and human rights was examined, Alliance Sud published their report in June 2011. The report pointed out significant improvements in Nestlé’s operations in Colombia, which were confirmed by numerous stakeholders, but it also showed that a deep conflict persists between the Company and its majority trade union. Nestlé has taken the report very seriously, analysed it at the highest level and developed a follow-up action plan.

We set up the Cocoa Plan to help secure a sustainable future for the global cocoa industry and the communities depending on it. While there have been many positive changes in the last decade, labour practices on cocoa farms are still a considerable concern to us. Children are involved in hazardous farming tasks instead of going to school.

As well as taking action to eliminate child labour, we require our suppliers to abide by our strict Supplier Code, which includes child labour. We are continuing to work with others in industry, government, NGOs and international organisations including the International Cocoa Initiative to address labour practices on cocoa farms.

We also work with the Fair Labor Association (FLA) on working conditions and child labour in the hazelnut and cocoa supply chain, and became formal members of the FLA in 2012.

### UNGC Human Rights Working Group

Nestlé has been an active participant of the UNGC Human Rights Working Group since becoming a member in 2009. Members of the multi-stakeholder group offer advice and engage in activities relating to business and human rights, to advance the UN Global Compact’s human rights principles.



### **Institute for Human Rights and Business**

Nestlé continues to work with the Institute for Human Rights and Business, an independent organisation dedicated to helping improve global understanding of the relationship between the private sector and issues relating to internationally proclaimed human rights standards.

In August 2011, Nestlé took part in the “Business and the Human Right to Water and Sanitation” seminar, organised by the Institute for Human Rights and Business as part of World Water Week. The seminar explored how businesses can ensure their operations are in accordance with the human right to water and sanitation, and aimed to identify practical actions that companies can take to fulfil this human right.



## Labour practices

Our commitment to long-term collective relationships with our employees is guided by our Corporate Business Principles. Since its founding, Nestlé has built a culture based on values of trust, mutual respect and dialogue. Our managers and employees work together to create and maintain positive individual and collective relationships throughout our operations.

### Workplace relations at Nestlé

Our Employee Relations Strategy reinforces Nestlé's commitment to long-term business development through open dialogue with employees and external stakeholders in line with our Creating Shared Value concept.

We make it our priority, where local legislation applies, to support collective dialogue and negotiations with employee unions and other representative associations. We also aim to develop and maintain open dialogue with external stakeholders on labour matters.

Nestlé promotes a continuous improvement of working conditions, giving special attention to the following priorities, including:

- respecting the right of our employees to join organisations of their own choosing and to engage in constructive negotiations;
- offering competitive wages and benefits that allow our employees to cover their needs according to local standards of living;
- implementing the Policy on Conditions of Work and Employment regarding working time for our employees; and
- treating every employee with dignity and without tolerance of any discrimination, harassment or abuse.

### Managing workplace relations

Improving workplace relations at Nestlé is a joint effort, combining strategic leadership and guidance at a corporate level with local leadership and action to consistently implement Group principles, policies and standards wherever we work in the world.

We constantly look for ways to consolidate the expertise of our Employee Relations Community, which connects more than 60 experts worldwide. During 2011, three decentralised training sessions were delivered in Europe (Switzerland), America (Chile) and Asia (Malaysia) in order to reinforce our knowledge on our policies and international commitments. In addition to the workshops, every three months our experts were connected by virtual meetings to exchange good practices.

Workplace relations is a clear responsibility of local management and we aim to handle it at the most appropriate level, from site level to national or Group level according to situations, laws and practices.



In many countries we have developed local initiatives and training to improve relations between managers, employees and trade unions. For example:

- in Malaysia, Chile and Spain, local teams have provided training on the Nestlé Corporate Business Principles to all employees in a creative manner, and adapted to local environment and needs;
- in Italy, management and trade unions are working together to promote the corporate commitment of achieving “zero accidents” and to foster female employment and specific work-life initiatives;
- Nestlé Philippines has received an award from the Employers’ Confederation of the Philippines in recognition of its “outstanding achievements for industrial peace and harmony”. The accolade recognises Nestlé’s success in building a partnership with the trade union to overcome the difficulties of the past through commitment, openness and constructive dialogue;
- in Europe, the Nestlé European Council for Information and Consultation meets regularly with union representatives to improve mutual understanding and have agreed to work closely on health and safety topics.



## Performance and challenges

### Our performance

In 2011, more than 50% of Nestlé employees were covered by collective bargaining agreements worldwide, demonstrating our strong commitment to industrial dialogue. Where local legislation does not allow minority groups to negotiate collective agreements, we aim to maintain regular, open dialogue with the unions over issues of common interest.

Prior to significant operational changes that could substantially affect our employees, we provide them with a minimum notice period of 42 days on average, although the period varies from country to country.

This minimum notice period is specified in collective agreements of 26 countries.

In 2011, we identified the following markets where freedom of association and collective bargaining are at risk in our factories: Brazil, Central and West Africa, Ecuador, Greater China, North East Africa, Colombia, Russia and Eurasia, Pakistan, Indochina, the Caribbean, Ukraine, the Middle East and Southern Africa. The Employee Relations Policy and the Policy on Conditions of Work and Employment aim to address this risk at the corporate level. In addition, specific action plans were designed in four markets; for the other markets, this risk is addressed through the normal employee relations network.

We also identified that the right to exercise freedom of association and collective bargaining is at risk in some of our suppliers, and we are working to address this through our Suppliers Code.

In 2011, 39 industrial actions took place globally. The percentage of working time lost due to industrial disputes, strikes and/or lock outs was 0.02% on average.

### Workplace relations challenges

Even with our strong commitment and the dedication of our local management, Nestlé has faced sporadic incidents like a four-day illegal strike in Mossel Bay, South Africa, which was resolved using a conciliatory process.

Unfortunately, the Company has also faced longer conflicts. In 2008, the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF), a global federation of trade unions, filed a submission with the Organisation for Economic Co-operation and Development (OECD) for alleged violations of labour rights in our Panjang factory in Indonesia. Their focus was on exclusion of wages from collective bargaining negotiations. This is not covered by local law or by the International Labour Organization, but we agreed to include wages in the 2010/11 bargaining negotiation in Panjang. The case against us was closed in June 2010 and, in 2011, the Union of Nestlé Indonesia Panjang Workers (SBNIP) and Nestlé Indonesia reached a settlement that clarified the rules to start a new collective negotiation.



However, in September 2011, while parties in Panjang were negotiating, a group of workers went on an illegal strike followed by occupation of the factory. In accordance with local laws, Nestlé informed the workers that, since they refused legal summons to return to work, after two weeks they would no longer be deemed part of the Company's workforce. Nestlé has a right and responsibility to protect its business, its workforce and its suppliers, whose livelihoods have been damaged by this illegal stoppage.

In 2011, a group of contractors at our Kabirwala factory in Pakistan began legal action against the Company. Requesting permanent employment with Nestlé, the contractors carried out a series of violent protests in front of the factory, disrupting the operations there. The management has been working jointly with the IUF to resolve this conflict and ensure that our practices are fully aligned with our policies.

We are currently working to strengthen our relationship and engagement with the IUF, and have offered to enter into regular, structured dialogue with the organisation over issues of mutual interest.

In 2009, Colombia's majority trade union, Sinaltrainal, submitted a complaint against Nestlé to the ILO for labour and human rights violations. In June 2010, the ILO drew no negative conclusions against Nestlé's labour practices, but the case remains open while legal procedures are finalised in Colombia, and an additional submission by Sinaltrainal in November 2011 is reviewed by the ILO.

We are proud to have good relations with the vast majority of our unions, but at the same time we realise that the Company operates in diverse and challenging social contexts that require our permanent attention and efforts in order to ensure a sustained and constructive dialogue with every employee.



## Training and learning

With 327 537 employees, made up of 100 different nationalities, Nestlé offers people the opportunity of an exciting international career supported by continuous development and training. Our people are our greatest asset and we place as much importance on their professional development as we do in the research and development of our products.

We aim to hire staff with the personal attitudes and professional skills that will enable them to develop a long-term career with Nestlé. That is why, from the factory floor to the top management, training at Nestlé is continuous.

Our approach to developing our people is based on the following:

- Training and learning reflects the Company's decentralised nature. Our employees are given the knowledge and tools they need to respond to local needs, whichever country they are working in.
- We encourage employees to work with people from many different countries and cultures in the course of their career.
- We promote opportunities to develop skills that will enable people to move to different areas of the business.
- We promote a common set of values that engender a Nestlé culture and spirit.
- We focus on "on the job" training given by Nestlé people, not solely professional trainers. That means training is always relevant and our managers are both mentors and teachers, communicating knowledge as part of their daily routine.

Our International Training and Conference Centre in Switzerland, Rive-Reine, is where Nestlé people from all over the world meet to exchange information and ideas in seminars and training courses. Rive-Reine offers a wide variety of courses, aimed at creating leaders and teams who will continue to provide Nestlé with a competitive advantage. Approximately 75% of speakers at Rive-Reine are internal experts and senior managers, including all members of the Nestlé Executive Board. This year, 2103 employees from around the world attended courses at Rive-Reine, of which 42% were women.

### Our performance

Most markets keep track of learning KPIs either with a local Learning Management System (LMS) or manually. A Corporate LMS is scheduled for development during 2012 for deployment thereafter, which will allow us to provide more accurate global KPIs for average training hours and training by sector.

A comprehensive approach has been developed that includes the development of core and functional curricula, and a standard Job Success Profile document to assist in career development and the definition of learning gaps. Some 270 Job Success Profiles have been published covering major jobs in the Company, which detail the key outputs, experience, knowledge, skills and behaviours required for specific jobs. Those documents are used as part of Personal Evaluation and Progress Development Guides processes, which are monitored by human resources business partners, training and learning consultants and auditors. For operators on the factory floor, a skills matrix, fundamental in the TPM training pillar within our Nestlé Continuous Excellence initiative, is used to track development and learning needs.



A core curriculum, consisting of 52 courses, has been introduced in all markets. The courses are delivered locally by Nestlé trainers or selected globally approved providers. The number of courses will increase in the near future when a Leadership Development pillar is launched as part of our Nestlé Continuous Excellence initiative. We are working to ensure that best practice in training methodology, tools, support mechanisms and structures is in place in all markets.

These initiatives reflect our commitment to lifelong learning and to becoming a more effective organisation.

In 2011, each of our employees received an average of 2.02 hours training [KPI]. This figure reflects office-based employees and covers approximately 62% of Nestlé markets.

The proportion of senior management we hired from the local community at locations of significant operation in 2011 was 58%.

The proportion of Local Management Committee members in developing countries who were native to that country was 53% [KPI].

The above percentages reflect our approach to developing local talents while promoting international career possibilities for our employees.



## Initiatives

### Developing talent

We believe that the best indicator of talent is achievement and that people should be given responsibility as early as is reasonable, so that they have the opportunity to prove themselves. We run a number of talent management programmes at different levels and locations.

The Nestlé Academy is a new example of how this is done at Nestlé UK. The project aims to address gaps in talent across the organisation. Over the next two years we are running a broad programme of work experience opportunities and education to open up more flexible entry points to attract people at different life stages. We are aiming to at least double our current apprentice population in the UK and we are offering routes to NVQ, foundation and Honours degree qualifications to school leavers, graduates and current employees.

### Employee mentoring

In our HR Policy we state that each manager has a duty to act as a mentor for his or her employees. We use mentoring as a powerful tool across the business, providing access to valuable personal experience, insights and guidance from more senior Nestlé people. Throughout Nestlé, we run several mentoring schemes for people working at different levels.

Our Corporate Mentoring programme aims to accelerate the professional development of more than 100 Nestlé executives. Mentees are paired with a top leader for 18 months as part of their formal professional development.

Examples of mentoring schemes at the market level include Nestlé Spain's MentorNes programme, Nestlé Oceania's Mentoring@Nestlé and Nestlé Nutrition's Corporate Mentoring programme.

### Succession planning

We use succession planning to maintain a healthy supply of talented people who will help us meet future challenges to maintain our competitive advantage. We are continuing to increase our focus on succession planning and, in 2011, 79% of key Nestlé positions were filled through succession planning.

Promotions through succession planning are exclusively based on competence, insight, performance and potential. After a real effort to identify and develop our talent, 1237 people have now been identified as potential successors for key Nestlé positions at deeper levels within the organisation.

### International career development

One of the things we think makes a Nestlé career unique is the international exposure, travel and opportunities for international assignments that are available to many of our employees. Our business is based on respect for different cultures, and we expect our staff to be comfortable and effective in different settings.

We provide opportunities for expatriates to help transfer technical and managerial expertise across the Nestlé Group. This strengthens our local presence, helps us build local flavour into our global brand, and provides more opportunity to develop local managers into senior executives.



We ensure that expatriation is a two-way process, and we aim for equal movement between emerging markets and developing markets. In 2011, 40% of all expatriates at Nestlé's Swiss headquarters and central functions were from emerging markets, and 64% of expatriates from Switzerland headquarters were based in developing countries.

### Parental leave

At Nestlé we believe that people should have a good balance between their private and professional life, not only because it reinforces employee satisfaction and enhances efficiency, but also because it positively reflects on our reputation.

One example of the Company's commitment to help employees reconcile the demands of professional and personal life is the new Parental Leave guide for the HQ in Switzerland, which was distributed as a good practice guide to all markets. This guide informs expectant mothers and their managers about what is expected from them to successfully manage this period and ensures career continuity. For new fathers, it gives information about different options available to them helping them to best understand their new role at home.

Measuring various countries\* and covering approximately 36% of Nestlé employees over a 12-month period, the return to work and retention rates following parental leave were 70% for women and 79% for men respectively<sup>1</sup>.

\* Argentina, Australia, Brazil, Bulgaria, Canada, Czech/Slovak, France, Germany, Greece, Israel, Mexico, Nordics, Poland, Portugal, Spain, Switzerland, Turkey, UK.

<sup>1</sup> 2010 data



## Employee health and wellness

The first of our 10 Corporate Business Principles is about nutrition, health and wellness. It is our core aim to enhance the quality of consumers' lives every day, everywhere. We work to increase the nutritional value of our products and to develop brand communication that empowers consumers to make informed choices about their diet. We apply the same values to our people.

In 2008, Nestlé Chairman Peter Brabeck-Letmathe joined other heads of companies at the World Economic Forum to sign a call to action on workplace wellness. Nestlé also signed a multi-company commitment to the World Health Organization to help fight chronic diseases in the workplace.

### Our performance

In 2007, a survey of 47 markets around the world showed that 95% have workplace wellness programmes in place or under development. This includes the provision of nutrition information and specialists, staff restaurants and healthy or vegetarian meals (65%–80% of sites); fitness centres (around 50%) and free bottled water (90%). At 96% of sites we offer disease prevention and health promotion programmes, providing for example vaccinations, HIV/AIDS prevention information, and cardiovascular and diabetes tests. We are supported by a network of occupational health professionals, nutritionists and rehabilitation experts, as well as voluntary "site champions" across the globe who provide health and wellbeing training and support to our employees.

### Initiatives

With increasing numbers of people obese or overweight, Nestlé UK developed a now well-established employee wellness scheme covering 6000 employees. The programme has four strands:

- improved nutritional standards and information – mainly through catering contracts;
- increased physical activity – we encourage people to walk 10 000 steps per day during the 14 week Global Corporate Challenge;
- mental resilience – providing effective systems to help prevent and manage mental health difficulties; and
- health screening – providing subsidised private health assessments and free basic health tests for employees.

Nestlé Oceania encourages people to boost their wellbeing through:

- health-related store discounts, insurance offers and brain-training exercises;
- eye tests, massages and fitness games; and
- charity fundraising and overseas volunteering.

Nestlé South Africa runs a well-established HIV prevention, support and management programme for all employees and their spouses or life partners. This includes voluntary counselling and testing at each unit every three years, as well as ongoing testing, counselling and support by employee wellness specialists. Each site also marks World AIDS Day with activities for employees and community-based events.

"Nestlé wants its employees to experience the Company's vision as a daily reality. Through the provision of a healthy diet and sporting activities, Nestlé follows the principle of 'healthy minds in healthy bodies', knowing that a loyal and productive workforce is the key driver of its success."

**Building Good Food, Good Life, Paul Bulcke, Chief Executive Officer, Nestlé S.A. and Peter Brabeck-Letmathe, Chairman, Nestlé S.A., October 2009**



Our Flexible Work Environment at Nestlé guidelines are designed to improve the working lives of our employees. Young families are able to use crèches and breastfeeding rooms at a number of our head offices and factories, and new fathers are offered paternal leave to enable them to spend time with their families. In Japan, for example, 35 men have used paternal leave since the initiative was launched. At our head office in Italy, Nestlé daily childcare is provided during the school holidays in one of the building's conference rooms.



## Diversity

Nestlé's success and culture are built on strong, multicultural diversity. We aim to integrate as much as possible into the cultures and traditions where we operate. And we know that our success is based on our people. We embrace cultural and social diversity across our workforce, our customers and the communities where we work. Our diversity is a critical competitive advantage we want to protect and build on that for future business.

We respect international conventions concerning employees' rights and we do not tolerate discrimination for any reason including origin, nationality, religion, race, gender, age or sexual orientation.

Our Human Resources Policy is a key component of our "Leadership and personal responsibility" Corporate Business Principles. It sets out the attitudes we expect from people such as mutual respect, trust and transparency in relating to one another, and it encourages open communication and cooperation. We ensure our employees understand what we expect of them through training and awareness of our Corporate Business Principles. In return, we provide equal opportunities for their development and advancement, protect their privacy and do not tolerate any form of discrimination against them.

### Gender balance

Achieving a more balanced gender mix, which makes the best of the talents of both our men and our women, is a challenge we have made a priority at Nestlé. We want to develop the environment, culture and leadership that provides equal opportunities for everyone, especially at management levels.

We launched our Gender Balance Initiative in 2008 and, since then, we have:

- improved the percentage of women on market leadership teams by over 35% in four years;
- developed our leadership teams worldwide to ensure managers have the awareness and capability to help us increase gender balance through the network of 60 qualified gender balance trainers;
- reviewed and updated our human resources processes;
- introduced annually reviewed local action plans for all Nestlé businesses to improve gender balance;
- published Corporate Guidelines for a Flexible Working Environment;
- set up a mentoring initiative to accelerate the professional development of 130 senior executives; and
- used talent and succession planning to increase the number of women successors identified to 29.4% in 2011.

All local operating companies are now in the implementation phase of their action plans and tracking their progress. A global network of Gender Balance Champions – business leaders acting as ambassadors – regularly shares best practice across the organisation.

"Improving gender balance is absolutely necessary for our ability to survive and succeed as a company. Experience shows that building awareness, especially for managers, is a critical first step of this long journey. This is our business imperative."

**Chris Johnson, Executive Vice President, Zone Director for the United States of America, Canada, Latin America and the Caribbean**



## Our performance

A total of 259 327 employees are registered in our HR system (approximately 80% of the total workforce). We have 173 813 male employees and 85 193 female employees, and of the entire workforce, 33% of employees are female and 67% male. There are 321 employees who have not declared their gender. We have 1365 male part-time employees and 5666 female part-time employees. When taking temporary workers into consideration, 30.6% are female and 69.4% are male. The number of disabled employees reported is 3874. Due to privacy regulations, and the fact that several markets were not tracking this information, this number only reflects those markets that were able to report it.

### Total workforce broken down by gender and age group

- There are 66 821 employees aged <30, which represents 25.6% of the total workforce. Of these, 33% are female.
- There are 146 123 employees aged 30 to 50, which represents 56% of the total workforce. Of these, 32% are female.
- There are 46 079 employees aged >50, which represents 18% of the total workforce. Of these, 33% are female.

### Total number of managers broken down by gender and age group

- There are 3646 managers aged <30. Of these, 1461, or 40%, are women.
- There are 28 065 managers aged 30 to 50. Of these, 8160, or 30%, are women.
- There are 7475 managers aged >50. Of these, 1344, or 18%, are women.

Overall, 28% of leadership positions at Nestlé in 2011 were held by women.

## New employees

The total rate of new employee hires in 2011 was 12% [KPI].

Total rate of new employee hires by age group

- <30: 31%
- 30 to 50: 8%
- >50: 3%

Total rate of new employee hires by gender

- Male: 12%
- Female: 12%

Total rate of new employee hires by region

- Americas: 12%
- Asia, Oceania and Africa: 15%
- Europe: 9%

## Employee turnover

The total rate of employee turnover (employees leaving Nestlé) in 2011 was 10.8% [KPI].

Total rate of turnover by age group

- <30: 17%
- 30 to 50: 9%
- >50: 10%

Total rate of turnover by gender

- Male: 10%
- Female: 12%

Total rate of turnover by region

- Americas: 12%
- Asia, Oceania and Africa: 10%
- Europe: 9%

## Employee pay

The weighted comparative ratio average, which is used to calculate the competitiveness of an employee's pay level, is 94% for females and a 99% for males in our senior management worldwide. This is an encouraging result and reinforces our basic principles of fairness and non-discrimination.



## Safety and health

Our Company is founded on caring: for our consumers, for the communities in which we operate, and most fundamentally for our colleagues. For this reason safety and health is a fundamental value and we believe that “one accident is one too many”. This foundation continues to inspire us as we seek new and better ways of engaging everyone in the organisation. For example, in 2011 our Executive Board decided to include regular reviews of safety and health performance in all their meetings. This model, which is now being followed in management meetings across the Company, also extends to the daily meetings of individual teams.

While our safety and health performance has improved significantly in the past few years, our goal remains zero accidents. We view this as a platform from which we aspire to move forward to become leaders in safety and health. A key area of concern for us remains the number of fatalities. We are determined to bring even greater focus to the management of fatality risks (in particular driving, construction, forklifts and machinery) and are developing new programmes based on extensive benchmarking and industry best practice.

For this reason, in the short to near term, we will also continue to focus primarily on our employees and on-site contractors. However, over the longer term we will seek to broaden our approach to encompass wellness and off-the-job safety, and seek to positively influence the safety and health of others throughout our value chain. This more holistic approach not only aligns with our philosophy of caring but also has the potential to bring broader benefits to our colleagues, our business and the communities in which we operate.

### Managing safety and health

We continuously improve our safety and health policies, standards, procedures and processes through the Nestlé Occupational Safety and Health Management System, which is based on the internationally recognised OHSAS 18001 standard, together with Nestlé specific requirements. By the end of 2011, 410 out of 461 factories were certified to OHSAS 18001. The factories that are not yet certified are mainly recent acquisitions, which are currently working towards certification. In addition, 93 distribution facilities and five R&D centres are certified to OHSAS 18001 and we continue to extend the safety and health certification programme.

For facilities that are not certified to OHSAS 18001, the Nestlé CARE Audit Programme has helped us to verify, through independent auditors, compliance with local legislation and the Nestlé Corporate Business Principles in the areas of safety and health at work, human resources, business integrity and environmental sustainability. Our Internal Audit function brings a systematic and disciplined approach to evaluating and improving compliance and internal control in all areas of our business, including Safety and Health.



**IMPLEMENTATION:** In 2011 Nestlé started to implement a Safety, Health & Environment Pillar as part of the Total Performance Management initiative



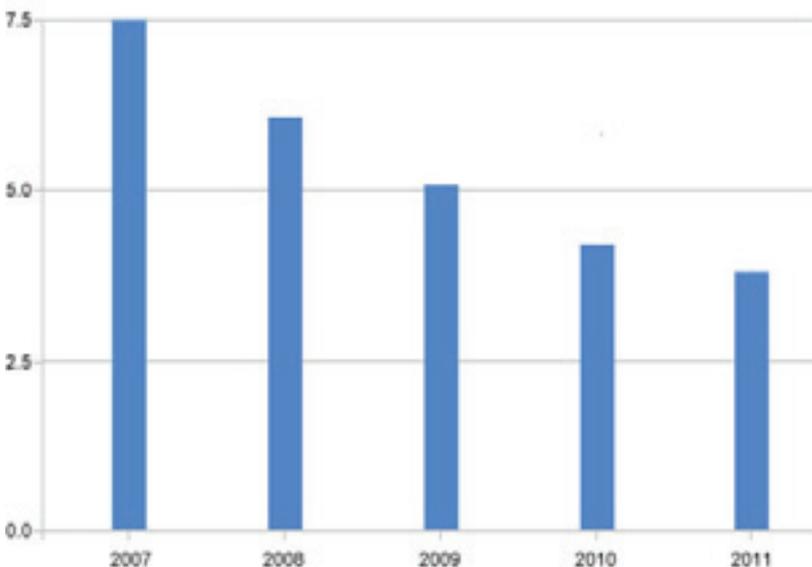
## Performance

### Work-related injury and illness rates

In recent years we have made continuous improvements in our safety and health performance and now we are among the top performers in the food and beverage industry. In 2011, we achieved a 10% improvement in Total Recordable Injury and Illness Frequency rate (TRIFr). Although we are proud that 196 factories operated a full year without any lost-time injuries or illnesses in 2011, our Lost Time Injury and Illness Frequency rate (LTIFr) remained unchanged. While some of this can be attributed to acquisitions and corrections of previously misclassified cases, the underlying trend is clearly unsatisfactory. Of greatest concern is that 18 individuals lost their lives while working at Nestlé in 2011. Of these fatalities, 14 were Nestlé employees – eight of whom died in traffic accidents – and four were contractors. Of the 14 employee fatalities, seven were from Asia, Oceania and Africa, three were from Europe and four were from the Americas. The four contractor fatalities were from Asia, Oceania and Africa. We deeply regret these fatalities and commit to strive for the only acceptable aspiration: zero accidents.

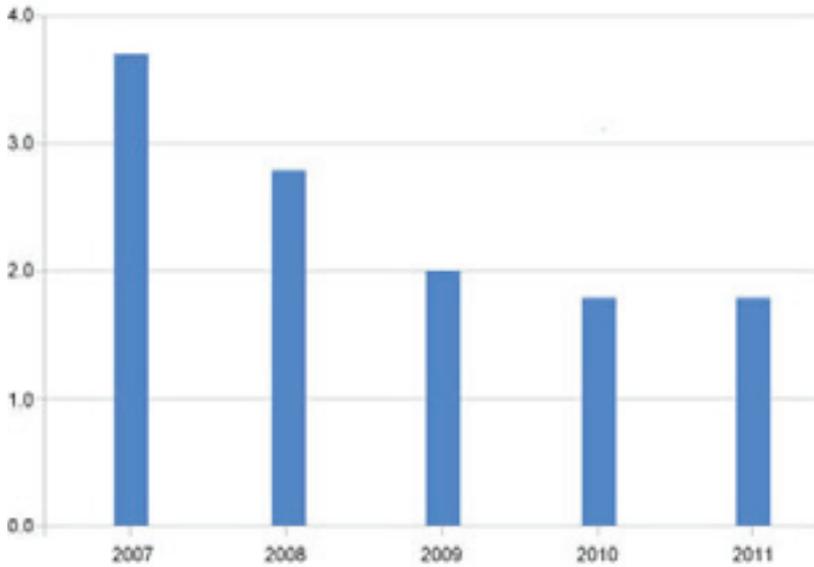
To address these challenges, we have enhanced our strategy and developed a new “Roadmap Towards Excellence” in 2011, which was endorsed by the Executive Board in January 2012. The Roadmap sets out five long-term strategic priorities, together with a number of short-term focus areas, and during 2011 we made significant progress in a number of these areas. For example, we have expanded safety and health beyond operations by increasing local management committee ownership, focusing even more on leading indicators and developing new safety and health standards for certain key risks, such as material handling equipment and filling and packing machinery. We have also started to develop a more holistic approach to health management and illness prevention, with a strong focus on occupational health issues, such as ergonomics. We continue to encourage all markets to increase personal ownership and engagement across their organisation, and in particular on developing manager capability and leadership behaviours.

### Total Recordable Injuries and Illnesses per million hours worked, 2007 to 2011



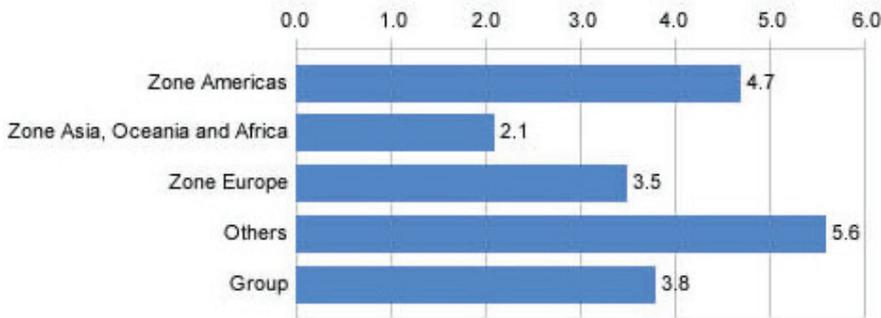


### Lost Time Injuries and Illnesses per million hours worked, 2007 to 2011

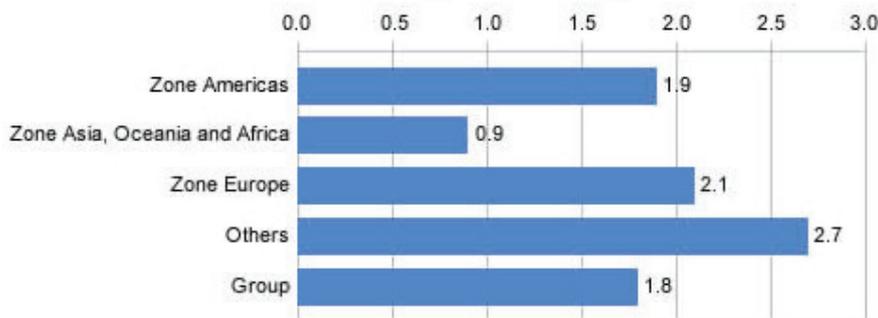


The two charts below show the performances of our units in 2011. This includes three geographic zones, globally managed businesses and major joint ventures, such as Cereal Partners Worldwide (CPW), as well as R&D.

Total Recordable Injuries and Illnesses per million hours worked



Lost Time Injuries and Illnesses per million hours worked



<sup>1</sup> Recordable injury and illness includes the following injury and illness categories: medical treatment beyond first aid, restricted work cases, lost time injury cases and fatalities.



### Lost day rate

In 2011, we collated the Lost Day Rate of the Company for the first time. The rate is estimated to be 72 lost days per million working hours. This rate is an estimation because some countries currently report lost work days while others report lost calendar days. We will harmonise our reporting method for this indicator across the whole Group in 2012.

### Sickness absence

In 2011, Nestlé collated sickness absence data across the Group for the first time. The overall sickness absence rate is estimated to be 2.1%. This percentage is only an estimation because markets have, until now, been using slightly different definitions for this metric, and because we have not been able to collate data within the USA. In 2012, we will:

- introduce a new standardised definition;
- review our systems in the USA to see how we could start to collect this data; and
- start to carry out a more detailed analysis of our sickness absence data across the organisation to better understand the principal causes and what interventions could be introduced or strengthened to enable improvement.



## Initiatives

### Nestlé Group Safety and Health forums

In 2011 we created two new forums: a Safety and Health Functional Leadership Team and a Safety and Health Steering Council. Comprising 12 senior safety and health professionals from across the world, the role of the Functional Leadership Team is to identify priorities, develop new programmes, provide leadership for the safety and health function, and share challenges, learnings and good practices. The Steering Council includes senior managers from different areas of the business, and is in place to oversee the development and implementation of programmes and provide the support and resources necessary.

### Safe driving

Nestlé fleets drive about 1.3 billion kilometres a year, equivalent to driving around the equator 90 times per day. Improving road safety is a major priority for us, and we have implemented numerous initiatives to reduce the number of driving-related fatalities and injuries. The experience of managing such a diverse worldwide transport network has led Nestlé to join the Global Road Safety Partnership. Run by the International Federation of the Red Cross, the partnership between governments and the private and public sectors aims to reduce the 3000 deaths that occur daily on the world's roads. By taking part, Nestlé is also showing its support for the United Nations' Decade of Action for Road Safety, a 10-year campaign launched in May 2011 to improve road safety.

### Increasing transport safety in Nestlé Philippines

Nestlé Philippines has a transport network that includes over 1600 trucks, 3500 drivers and helpers and 17 transport providers. It is therefore vital to ensure that road safety is promoted and monitored throughout the market.

In November 2009, Nestlé Philippines launched a programme to promote safer driving practices across the business. The initiative, which is aimed at all employees with a company car or Nestlé car loan, includes a defensive driving course, a driving test, a code of conduct and a safe driving handbook. In February 2011, employees were also encouraged to attend a defensive driving seminar, and in July 2011 the Supply Chain Management division visited Shell's Pandacan facility to benchmark the company's road safety management programme.

Nestlé Philippines has also extended the Nestlé CARE Audit programme across its third-party transport operations. The programme monitors compliance with local laws and support for international conventions and the social elements of the Nestlé Corporate Business Principles, and all 17 transport providers are now certified under the CARE programme. These initiatives have already helped to increase transport safety in the Philippines. From 2010 to 2011, for example, the market saw a 20% reduction in both vehicular accident frequency rate and vehicular hijacking frequency rate. For the next round of audits, the third-party transport operations will be audited as part of our Responsible Sourcing Audit programme.



Creating Shared Value at Nestlé	Nutrition	Rural development	Water	Environmental sustainability	Compliance	<b>Our people</b>
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### Nestlé Switzerland telematics initiative

A telematic system, which is a device similar to black boxes used on aeroplanes, remotely collects data on how vehicles are being driven in order to improve safety, increase efficiency, decrease greenhouse gas emissions and reduce operational costs. Inspired by positive experiences in several countries, Nestlé Switzerland carried out an evaluation of five telematic systems early in 2011, involving 66 trucks. The test proved that telematics can help to improve safe driving behaviours and the environmental performance of our vehicles. A preferred system was selected and the devices have now been installed across the entire ice cream fleet of Nestlé Switzerland, which consists of 140 trucks.

### Nestlé USA leadership programme

In 2010, the Nestlé corporate head office issued a set of guidelines on safety behaviours for managers, team leaders and frontline staff. Nestlé USA decided to build on this in a way that was highly visible and effective, and in late 2010 and early 2011, the Nestlé Safety Leadership Behaviours programme was rolled out across the organisation. The programme includes visible commitments, such as posters and banners, and a process of team and personal gap analysis and action planning.

In late 2011, several safety leadership questions were added to the employee opinion survey (“Nestlé and I”), and Nestlé USA is currently evaluating the results and determining action plans with all locations.

In 2012, they will develop a specific survey to gain greater feedback on behaviours.

### Nestlé India safety programmes

In 2011, Nestlé India launched Safe By Choice, a safety engagement programme in collaboration with DuPont to improve the safety culture in the Nestlé South Asia region. The first phase of the initiative, which focused on contractor safety, was rolled out at Nestlé’s major construction sites in Ponda, Samalkha, Nanjangud, Manesar and Tahlival in April 2011. DuPont consultants visited each of the sites several times to coach managers, identify best practices and focus on opportunities for improvement. They have also assisted in the development of standards for high-risk activities such as working at height and excavation. Nestlé India has also formed a Safety Council, chaired by the head of the region, which is providing a strategic vision in driving towards excellence.

Later in 2011, Nestlé India rolled out a safety perception survey, “Safety and You”. The aim of this survey was to evaluate employee attitudes towards safety and to identify areas for improvement. The survey, the first of its kind in the Nestlé South Asian region, was launched in November in collaboration with DuPont, and covered all permanent employees in India and Bangladesh. The results will help them to further reinforce their safety culture and accelerate towards our ambition of zero injuries and illnesses. The “Safety and You” survey will be rolled out to Sri Lanka in March 2012.

### Health management

At the end of 2010, we created a new global leadership position of Health and Wellness Advisor within the Company’s corporate safety, health and environmental sustainability function. In 2011, a number of initiatives were launched or enhanced in order to improve our health programmes and performance.



**SAFETY: Antonio Helio Waszyk, Chairman and Managing Director of Nestlé in South Asian Region, on the eve of the launch of the Safety Perception Survey in India and Bangladesh.**



### Health survey

A baseline survey was carried out to understand the current state of health management across the Nestlé Group. The survey identified a number of aspects where current programmes are strong. For example, in addition to providing emergency medical assistance, many sites have also established health centres where sick or injured workers can receive professional care or advice. The survey also identified areas of opportunity, primarily in occupational health, which will form the basis for an action plan for the coming years.

### Work-Related Upper Limb Disorders (WRULDs)

Nestlé Colombia has put in place a systematic programme focusing on management of ergonomic risks and muscular-skeletal disorders in their factories. This programme brings together different specialists, including ergotherapists, physiotherapists, psychologists, nurses, safety professionals and occupational physicians, as well as factory management and employee representatives. Efforts are showing positive effects in terms of risk reduction and employee awareness.

Within Nestlé UK, a similar programme was developed that involved standardising WRULD risk assessment tools across all their factories. Observations of repetitive tasks were made by safety and health professionals working together in teams, and videos were made to facilitate deeper analysis. Simple solutions were implemented immediately, such as minor adjustments to work stations and tasks. Longer-term action plans were developed for those issues requiring capital investment or re-engineering. Information and training was also provided to factory managers to ensure understanding of the importance of ergonomics in safe operations.

### Total Performance Management Safety, Health & Environmental Sustainability Pillar (TPM SH&E Pillar)

We have started to implement a SH&E Pillar as part of our TPM initiative. The aim is to provide our employees with the knowledge and skills to achieve our targets of zero injuries, illnesses and zero waste. In addition to delivering both global and regional training, we have developed detailed guidelines and shared these across the Company. By the end of 2011, Nestlé had delivered three workshops focused on developing the SH&E Pillar, which were attended by 59 representatives from Nestlé businesses around the world.



**RISK:** Nestlé Colombia's employees now work by sitting on newly designed chairs with adjustable back, footrest, seat height and tilt



## Employee engagement

At Nestlé, we know that our employees are the key to our success and that nothing can be achieved without their engagement. We also know that, to engage people at all levels across the organisation, we must provide information on our activities and on specific aspects of their work. Through open communication and active cooperation, we invite everyone to contribute to identifying and carrying out improvements to the way we do business.

As well as encouraging ongoing two-way communication through direct reporting lines and local initiatives, employees at all levels are invited to take part in the "Nestlé and I" global employee survey, which includes five questions covering employee engagement.

The most recent Nestlé & I survey has provided us with valuable feedback regarding employee engagement at Nestlé. As well as being proud to work for the Company, the survey revealed that our employees believe that Nestlé:

- has strong Company values;
- is clearly aligned to strategy and objectives;
- demonstrates a clear focus on ethics and safety; and
- is culturally diverse.

We will continue to invest and leverage these areas of competitive advantage.

Employees have also outlined some areas that they believe require additional attention. These include:

- recognising high performance and managing low performance;
- demonstrating transparency in relation to career development;
- ensuring higher levels of empowerment and accountability.

Action plans have been defined and are being implemented at both market and corporate level to address these issues.

### Ongoing support for Japan

Since the massive earthquake and tsunami that struck Japan in March 2011, we have worked with our employees to help with the recovery effort. We were thankful that all Nestlé employees were safely accounted for, and many were keen to provide support to the communities affected by the disaster.

Nestlé Japan committed product donations worth around CHF 1.37 million, including healthcare nutrition products to hospitals and government distribution schemes. Nestlé Waters committed 20 000 cases of bottled water, half of which is for hospitals.

Through Nestlé's partnership with the International Federation of Red Cross and Red Crescent Societies, the Company and employees contributed approximately CHF 160 000 in 2011 to help support the people affected by the disaster.