



Nestlé in society  
Creating Shared Value and  
meeting our commitments 2015

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Creating Shared Value

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# Nestlé in society: Creating Shared Value

Nestlé is the leading Nutrition, Health and Wellness company and we are committed to improving people's quality of life at every stage. Creating Shared Value is the way we do business. It's an approach based on respect for people, cultures and the natural environment. We believe that, for a company to prosper over the long term, we must create value for shareholders and for society. In this report, we demonstrate how Creating Shared Value continues to shape our business strategy and where it is delivering benefits in society.



192 billion

Number of servings of fortified foods provided worldwide.



760 000

Farmers supplying directly to Nestlé.



41.2%

Cumulative reduction since 2005 of direct water withdrawals per tonne of product in every product category.



CHF 3.3 billion

in corporate taxes.



## In this chapter

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# About this report

This is the twelfth *Nestlé in society: Creating Shared Value* report. It is written to promote communication and transparent reporting to our shareholders and stakeholders. The report shares detailed information about our material issues, and our societal and environmental impacts. Together with a [report summary](#) and our [Annual Review](#), this document forms an integral part of Nestlé's UN Global Compact Communication on Progress. These documents are made available through our [website](#), along with our case studies, audio and video content, and assurance statements.

## Reporting period and scope

This report covers Nestlé's global operations for the year ending 31 December 2015. It contains data for wholly owned companies and subsidiaries, excluding joint ventures and suppliers, unless specifically stated. Where we refer to a 'market', it means our business and/or activities at the level of a country or countries. The term 'Zone' refers to management responsibilities in a geographic group of markets; they consist of Zone Europe, Middle East and North Africa; Zone Americas; and Zone Asia, Oceania and sub-Saharan Africa.

## Global Reporting Initiative

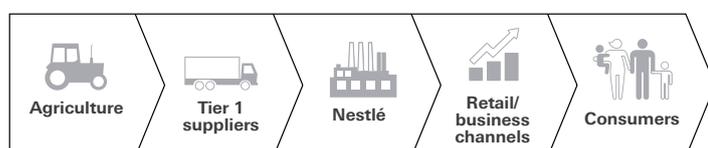
This report is prepared 'in accordance' with the comprehensive option of the [Global Reporting Initiative's](#) (GRI) G4 guidelines, and the Food Processing Sector Supplement. This report has been externally assured by Bureau Veritas. This includes assurance of the report meeting the requirements of 'in accordance with comprehensive' GRI G4 guidelines. A full assurance statement is available on [page 295](#). The GRI is a non-profit organisation that promotes economic sustainability and leads in the field of non-financial reporting.

In 2014, Nestlé undertook a stakeholder-led materiality process and 19 material issues were identified as being the most material. In line with G4, we continue to report fully against the issues across the report. As a large multinational business, we have also chosen to include information against [all disclosures identified by GRI](#).

## Report boundaries

Nestlé has considered and mapped material issues along the value chain of our business. This process reviews where financial, operational and reputational impacts would be felt in the Nestlé value chain. It also assesses the level of importance placed on issues by stakeholders in different parts of our value chain. The results have informed the scope and boundaries of content featured in this report.

### The Nestlé value chain



## Safety and health and environmental data

Our safety and health data refers to approximately 354,000 employees. Our environmental data refers to factories and warehouses (excluding some recent acquisitions). Nestlé's climate change disclosures were made in conformance with the Climate Disclosure Standards Board (CDSB) framework requirements. We follow the standards of the Greenhouse Gas (GHG) Protocol to establish our GHG inventory, which includes scope 1, 2 and 3 emissions. We use boundaries based on operational control as this better reflects the reality of our business operations. We also refer to our response to the [CDP Investor Information Request](#), which contains comprehensive details of the Group's climate change disclosures and performance.

## Currency conversion

All the amounts cited in this report have been converted to Swiss francs (CHF) using the exchange rates reported in the [consolidated financial statements](#) of the Nestlé Group 2015.

## Audience

We have identified a wide range of stakeholders who have an interest in this report, and hold regular dialogue with them. They include non-governmental organisations (NGOs), think tanks, foundations, organisations, governments, environment, social and governance (ESG), our consumers and our suppliers.

## Assurance

This report is subject to independent assurance by Bureau Veritas. The aim of this process is to provide reassurance to Nestlé's stakeholders of the accuracy, reliability and objectivity of the reported information, and that it covers the issues material to the business. To view the scope of work and observations, see the [full assurance statement](#).

## Contact us

We hope you find this report engaging and informative, and we continue to welcome your input and views: [creatingsharedvalue@nestle.com](mailto:creatingsharedvalue@nestle.com)

# Our CSV performance

Nestlé's performance indicators provide a focus for measuring and reporting Creating Shared Value, sustainability and compliance. This performance summary forms part of our communication on progress for the United Nations Global Compact Principles. Unless otherwise stated, performance indicators are for the year ending 31 December 2015. The references in the GRI column relate to the applicable indicator from the Global Reporting Initiative G4 guidelines. We report against GRI G4 guidelines and indicators, in line with the material issues we need to address. The issues are identified through our stakeholder engagement process and they also shape the public commitments we have made. To provide transparency for our stakeholders, in this table we have indicated the correlation between GRI indicators, our KPIs and our commitments.

Please see [www.nestle.com/csv/performance/kpi-summary](http://www.nestle.com/csv/performance/kpi-summary)

## Nestlé in society and Creating Shared Value key performance indicators

	GRI	2014	2015	Page
<b>Economic</b>				
Total Group sales (CHF million) <sup>(a)</sup>	G4-EC1	91 612	88 785	n/a
Net profit (CHF million) <sup>(b)</sup>	G4-EC1	14 456	9 066	n/a
<b>Nutrition, health and wellness</b>				
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (as % of total sales)	G4-EC1	78.5	81.6	68, 69, 70, 71
Renovated products for nutrition or health considerations <sup>(c)</sup>	G4-FP7	10 812	8 041	68, 69, 70, 71, 75, 77
Products with increase in nutritious ingredients or essential nutrients <sup>(c)</sup>	G4-FP7	6 359	4 643	75
Products with reduction of sodium, sugars, trans fats, MSG, total fat, calories or artificial colourings <sup>(c)</sup>	G4-FP6	6 973	5 471	69, 70, 71
Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million) <sup>(d)</sup>	G4-PR1	33 233	33 657	69, 70, 71
Products containing Branded Active Benefits (sales, CHF million)	G4-FP7	6 687	6 193	75
Products featuring <i>Nestlé Nutritional Compass</i> labelling (% of sales worldwide) <sup>(e)</sup>	G4-PR3	92.8	92.8	81
Products with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales)	G4-PR3	79.7	89.2	79
Products with specific Portion Guidance (sales, CHF million)	G4-PR3	26 456	35 562	81
Popularly Positioned Product SKUs	G4-EC1	5 014	4 845	75
Popularly Positioned Products (sales, CHF million)	G4-EC1	12 205	11 599	75
Nestlé television advertising to children under 12 in compliance with policies on responsible marketing (%)	G4-PR7	97.2	97	87
Contraventions to the Nestlé Policy and Instructions for <i>Implementation of the WHO International Code of Marketing of Breast-milk Substitutes</i> <sup>(f)</sup>	G4-PR7	29	36	83
Infant formula marketing staff in higher-risk countries trained on the WHO Code (% of staff) <sup>(g)</sup>	G4-PR6	100	100	83
<b>Rural development</b>				
Farmers trained through capacity-building programmes		376 000	400 000	96, 116, 121
Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes		51	52	96, 156
Direct procurement markets covered by SAIN programmes (%)		100	92	96, 156
Percentage of suppliers that fully comply with the <i>Nestlé Supplier Code</i>	G4-FP1	73.0	82.0	107
Percentage of purchased volume fully compliant with the <i>Nestlé Supplier Code</i> *	G4-FP1	73.0	82.0	107
<b>Water</b> <sup>(h)</sup>				
Total water withdrawal (million m <sup>3</sup> )	G4-EN8	147	140	144
Total water withdrawal (million m <sup>3</sup> per tonne of product)	G4-EN8	2.74	2.57	144
<b>Environmental sustainability</b> <sup>(h)</sup>				
<b>Production volume</b>				
Total production volume (million tonnes)		53.7	54.6	n/a
<b>Materials</b>				
Raw materials used (million tonnes)	G4-EN1	25.8	25.0	n/a
Materials for packaging purposes (million tonnes)	G4-EN1	5.6	5.3	185
Packaging source optimisation (kilotonnes saved)		45.8	58.2	185

\* Percentage compliant is 73% (95% was spend accounted for by number of suppliers audited)

## Nestlé in society and Creating Shared Value key performance indicators

	GRI	2014	2015	Page
<b>Energy</b>				
Total on-site energy consumption (petajoules) <sup>(i)</sup>		96.8	93.8	201
Total on-site energy consumption (gigajoules per tonne of product) <sup>(i)</sup>		1.81	1.72	201
Total on-site energy consumption from renewable sources (% total)	G4-EN3	14.7	15.4	n/a
Total direct energy consumption (petajoules) <sup>(i)</sup>	G4-EN3	66.5	63.8	201
Total direct energy consumption from renewable sources (% total direct)	G4-EN3	11.3	11.8	n/a
Total indirect energy consumption (petajoules)	G4-EN4	81.1	80.7	201
<b>Biodiversity</b>				
Total size of manufacturing sites located in protected areas (hectares)	G4-EN11	18.8	18.8	216
<b>Emissions, effluents and waste</b>				
Direct GHG emissions (million tonnes CO <sub>2</sub> eq) <sup>(i)</sup>	G4-EN15	3.91	3.70	208
Direct GHG emissions (kg CO <sub>2</sub> eq per tonne of product) <sup>(i)</sup>	G4-EN15	73.0	68.0	208
Indirect GHG emissions (million tonnes CO <sub>2</sub> eq)	G4-EN16	3.80	3.70	208
Indirect GHG emissions (kg CO <sub>2</sub> eq per tonne of product)	G4-EN16	71.0	68.0	208
Total water discharge (million m <sup>3</sup> )	G4-EN22	87.0	82.0	153
Total water discharge (m <sup>3</sup> per tonne of product)	G4-EN22	1.63	1.49	153
Average quality of water discharged (mg COD/l)	G4-EN22	72.0	70.0	153
By-products (kg per tonne of product)	G4-EN23	28.9	29.3	201
Waste for disposal (kg per tonne of product) <sup>(i)</sup>	G4-EN23	4.3	3.0	201
<b>Environmental sustainability governance</b>				
Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)		92.0	92.0	n/a
<b>Human rights and compliance</b>				
Total number of significant product recalls or incidents of non-compliance	G4-PR2	12	6	n/a
Number of human rights impact assessments completed	G4-HR9	1	2	227
Number of employees trained on human rights		7 485	11 242	227
<b>Our people</b>				
Total workforce (number of employees) <sup>(a)</sup>		339 456	335 213	n/a
Total rate of new employee hires (%) <sup>(i)</sup>	G4-LA1	10.3	11.1	n/a
Total rate of employee turnover (%) <sup>(i)</sup>	G4-LA1	11.7	12.5	n/a
CARE gaps identified related to Business Integrity and HR <sup>(k)</sup>		32	12	244
Of which: Minor		32	12	244
Major		0	0	244
Critical		0	0	244
Lost-time injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) <sup>(m)</sup>	G4-LA6	2.35	2.05	261
Total recordable injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) <sup>(m)</sup>	G4-LA6	3.98	3.42	261
Total number of fatalities (employees, on-site contractors and on-site members of public) <sup>(m)</sup>	G4-LA6	5	10	261
Average hours of training per year per employee per category <sup>(i)</sup>	G4-LA9	28.8	31.6	227, 288
Leadership positions held by women (%) <sup>(i)</sup>	G4-LA12	33.7	34.0	280
Local Management Committee members native to country in developing countries (%) <sup>(n)</sup>	G4-EC6	56.4	63.3	n/a

(a) Does not include joint ventures.

(b) Includes Nestlé's share in net result of joint ventures.

(c) Based on reports of 82% of factories. Products can have 'less of' one ingredient and 'more of' another at the same time. Includes MSG.

(d) In the 60/40+ programme, Nestlé products tested with consumers must be preferred over the competitor's. Assessment results are valid for a maximum of three years if all parameters remain equal.

(e) Excludes total petcare and, for USA only, Dreyer's and licensed brands Häagen-Dazs and California Pizza Kitchen.

(f) Based on Internal Audits conducted by corporate auditors and External Audits conducted by Bureau Veritas. Final number of contraventions could change as the findings of verifications which took place at the end of 2015 are still being assessed.

(g) We follow the FTSE4Good breastmilk substitute marketing criteria, which classify countries as 'higher-risk' if they have mortality rates for under-fives of more than ten per 1000, or more than 2% acute malnutrition among under-fives. All other countries are 'lower-risk'.

(h) Includes joint ventures.

(i) 2014 data restated due to more complete information.

(j) Covers Nestlé employees registered in the HR system (approximately 85% of all employees).

(k) CARE, our global external audit programme, is conducted by three audit companies and verifies that all employees and sites we own or operate comply with local legislation, our Corporate Business Principles and Code of Business Conduct. The audits take place every three years. US CARE programme is carried out every five years.

(l) Training hours are significantly higher due to roll-out of Learning Management System across the Group. Training hours per employee cover approximately 85% of all employees. Training hours by gender covers approximately 40% of all employees in the HR system.

(m) Recordable illnesses are those work-related illnesses that result in: medical treatment beyond first aid, restricted work, lost time, or fatalities. Recordable injuries are those work-related injuries that result in: medical treatment beyond first aid, restricted work, lost time, or fatalities.

(n) Does not include joint ventures. Due to privacy regulations and the sensitive nature of this KPI, this number only reflects those countries that were able to report it.

# A message from our Chairman and our CEO

This year, as we celebrate the 150<sup>th</sup> birthday of Nestlé, we honour Henri Nestlé, who founded the company on the success of a life-saving infant cereal. Today, we continue to aim to enhance lives with science-based nutrition and health solutions for all stages of life, helping people care for themselves and their families. We are further investing in the future nutrition, health and wellness of our consumers through our network of research centres that serve our food and beverage business, as well as through Nestlé Health Science and Nestlé Skin Health. To build a business capable of both delivering superior shareholder value and helping people improve their nutrition, health and wellness, Creating Shared Value is the approach we take to the business as a whole. In addition to nutrition, we focus on water, because water is quite simply the linchpin of food security, and water scarcity is a very serious issue in many parts of the world. And we focus on rural development, because the overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business.

We continue to actively manage our commitments to environmental and social sustainability, necessary for operating our factories and for the sustainable growth and development of the communities and countries where we operate. We have always believed that in order to prosper we need the communities we serve and in which we operate to prosper as well; and that over the long term, healthy populations, healthy economies and healthy business performance are mutually reinforcing. This involves substantial training and education of people inside and outside Nestlé, as well as large investments in technology with lower environmental impact.

We recognise that our position in society brings both opportunities and responsibilities: to do business in compliance with national laws, international standards and our own values and principles, as expressed in our Code of Business Conduct, Corporate Business Principles and Management and Leadership Principles. For a company like ours to prosper, we must take a long-term view, framed in a robust set of principles and values which have been developed over 150 years. They are based on respect: respect for people, respect for cultures, respect for the environment and respect for the future of the world we live in.



**Peter Brabeck-Letmathe**, the Chairman of Nestlé, talks to farmers in Ghana who supply maize produced with support from the Nestlé Grains Quality Improvement Project.



**Paul Bulcke**, Nestlé's CEO, opens a new *Nespresso* factory in Romont – our first Swiss production site to obtain LEED (Leadership in Energy and Environmental Design) Gold certification.

Thus, our 39 commitments go beyond simple compliance and are based on common sense values we believe in, that form the foundation upon which we build our actions in Creating Shared Value. Some key achievements in 2015 include: transforming the Nestlé needs YOUth programme into a global initiative; adopting the UN Guiding Principles reporting framework for human rights issues; activating 81 Healthy Kids programmes around the world to promote healthy diets and lifestyles; finalising our new Nestlé Guidelines Respecting the Human Right to Water and Sanitation; achieving our targets for traceability and responsible sourcing of our priority ingredients; working to eliminate child labour; and strengthening our commitment to reduce food loss and waste. You will read more about these in the pages that follow.

We believe investors will and should look at company performance, both in financial and societal terms, and evaluate how management integrates them in corporate governance, strategy and operations. What is missing today is a consistent methodology for measuring societal and financial value. We shall continue to contribute our own progress and learnings to this important dialogue, while encouraging voluntary and transparent sustainability reporting.

This reporting year was important, not just for Nestlé but for the United Nations, civil society and the private sector as a whole. In September 2015, 193 Member States of the UN adopted 17 new Sustainable Development Goals (SDGs) to define global priorities from now until 2030. For the first time, these goals were elaborated in consultation with all parties, including the private sector, representing a real step forward in

understanding the constructive role of business in society. At Nestlé, we will make a concerted effort to link our own Creating Shared Value agenda with the broader development goals, particularly in areas where we believe we can contribute in a meaningful way.

Nestlé has also committed, through the CDP's six climate action initiatives and the World Economic Forum's Alliance of CEO Climate Leaders, to help lead the global transition to a low-carbon, climate-resilient economy in line with the global agreement achieved at the 2015 Paris UN Climate Change Conference (COP21).

With this report, we also restate our support for the UN Global Compact as a founding member of the UN Global Compact Lead – an important platform for corporate sustainability leadership. Most importantly, this report reflects our own fundamental belief that, for our business to prosper in the long term, we must deliver value for shareholders, the communities where we operate, and society as a whole. This is why we say that Creating Shared Value is the way we do business.



**Peter Brabeck-Letmathe**  
Chairman



**Paul Bulcke**  
Chief Executive Officer

# Creating Shared Value: a long-term perspective

## Celebrating 150 years

This year, as Nestlé celebrates its 150<sup>th</sup> anniversary, we honour the Page brothers at the Anglo-Swiss Condensed Milk Company in Switzerland who, in 1866, launched the Milkmaid brand. From our Anglo-Swiss origins, we learned how to work closely with Swiss dairy farmers. The Page brothers created the beginnings of what we call the milk district model of collaboration in dairy. This experience led us to set up milk districts around the world, such as before World War II in Brazil, in the 1960s in India and in the 1990s in China, as well as collaborating with hundreds of thousands of dairy, coffee and cocoa farmers in developing and emerging countries, providing them with technical support and advice. And we honour our namesake Henri Nestlé who, in 1867, founded the company based on the success of a life-saving infant cereal and launched our company on its path to the Nutrition, Health and Wellness strategy of today. Henri Nestlé was motivated to help save the life of a neighbour's child and, more broadly, to help alleviate infant mortality. Still today, we continue to aim to enhance lives with science-based nutrition and health solutions for all stages of life, helping consumers care for themselves and their families. Looking back, one can see the beginnings of our conviction that for a company to be successful over the long term and create value for shareholders, it must create value for society. Today, we call this Creating Shared Value (CSV) but its practice goes back to 1866.

To build a business capable of both delivering superior shareholder value and helping people improve their nutrition, health and wellness, Creating Shared Value is the approach we take to the business as a whole. In addition to nutrition, we focus on water because water scarcity is a very serious issue in many parts of the world and water is quite simply the linchpin of food security. And we focus on rural development because the overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business. We also continue to actively manage our commitments to environmental and social sustainability, necessary for operating our factories and for the sustainable

growth and development of the communities and countries in which we operate. Today, with sales in 189 countries, we recognise that our position in society brings both opportunities and responsibilities: to do business in compliance with national laws, international standards and our own values and principles, as expressed in our Code of Business Conduct, Corporate Business Principles and Management and Leadership Principles. For a company like ours to prosper, we must take a long-term view, framed in a robust set of principles and values developed over the last 150 years. They are based on respect: respect for people, respect for cultures, respect for the environment and respect for the future of the world we live in. Thus our commitments go beyond simple compliance and are based on common sense values that form the foundation upon which we build our actions in Creating Shared Value.

## Reporting transparently

In 2012, we decided to publish a set of forward-looking commitments covering every part of our business, to provide a clear sense of the strategic direction in which we are heading and the standards to which we hold ourselves accountable. Our societal commitments, of which we have 39 this year, are derived directly from our focus areas of nutrition, water and rural development, and include environmental sustainability, human rights, compliance and our people.

This year we have introduced a new section on [taxation](#).

### Some highlights from this year include:

In Nutrition, we:

- Activated 84 Healthy Kids programmes to promote healthy diets and lifestyles, including physical activity;
- Have delivered 192 billion micronutrient-fortified servings of foods and beverages annually, worldwide;
- Launched a strengthened *Policy on Marketing Communication to Children*, which will be monitored closely; and
- Continue our work on a global scale to reduce salt, fat and sugar in our foods and beverages while maintaining consumer preference.

## Creating Shared Value



In Water, an issue of critical societal concern and the linchpin of food security, we:

- Finalised our new *Nestlé Guidelines Respecting the Human Right to Water and Sanitation*;
- Won the Global Water Awards Corporate Water Stewardship award for our zero water technology, enabling dairy factories to operate without using local groundwater; and
- Reduced direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 41.2% versus 2005.

In Rural development, where the well-being of farmers and suppliers is intimately linked with our own success, we:

- Achieved our target of 40% for traceability of our 12 priority ingredients and materials; and
- Remain committed to eliminating child labour from our key categories such as cocoa, vanilla and hazelnuts, and have trained 47 962 farmers, built or renovated 42 schools, and ensured that 50% of our cocoa co-operatives in Côte d'Ivoire are covered by a child labour monitoring and remediation system.

In Our people, we:

- Transformed the Nestlé needs YOUth programme into a global initiative; and
- Published our new *Nestlé Maternity Protection Policy*;

In Environmental sustainability and Human Rights, we:

- Published our commitment to reduce food loss and waste;
- Met our goal to achieve zero waste in 10% of Nestlé factories by 2015; and
- Adopted the UN Guiding Principles reporting framework for human rights issues.



Dairy farmers at a Nestlé collection centre near our state-of-the-art factory in Erguna, China. We buy fresh milk through our milk district model from about 40 000 Chinese farmers.

We report transparently on progress and on where there is more work to be done. Since 2011, Nestlé has been reporting against the framework of the Global Reporting Initiative (GRI) and we support the increasing rigour and transparency expected around sustainability reporting. This is our second year reporting 'in accordance' with the comprehensive option of the GRI's G4 guidelines and Food Processing Sector Supplement. In accordance with GRI guidance, our report addresses material issues or those that reflect significant economic environmental and social impacts, and those issues that substantively influence the assessments of our stakeholders.

## Our 2015 performance in leading indices

### Access to Nutrition Index

Nestlé ranked 2<sup>nd</sup> in the 2015 assessment of the Global Access to Nutrition Index (published in January 2016), which benchmarks the world's largest food and beverage manufacturers on their nutrition-related commitments, practices and performance. Nestlé ranked 1<sup>st</sup> in the subcategories of breast-milk marketing practices, general nutrition and under-nutrition.

### CDP Water Programme

The CDP Water Programme promotes sustainable corporate water stewardship. We participated for the second year running and in October 2015, Nestlé received a 'Leadership' score of A-.

### Climate Disclosure Leadership Index

In November 2015, we received a Climate Disclosure Leadership Index Award from environmental sustainability ratings agency CDP, having achieved a score of 100 A.

### Dow Jones Sustainability Indices

The Dow Jones Sustainability Indices measure the performance of the world's sustainability leaders. With a score of 89, Nestlé was again a Top Performer in our industry, ranking in the 98<sup>th</sup> percentile. We also received an industry-leading score of 99 out of 100 in the 'environmental dimension'.

### FTSE4Good

Nestlé remains included in FTSE4Good, which measures the performance of companies that meet globally recognised corporate responsibility standards, including clear criteria on the marketing of breast-milk substitutes. In 2015, our practices were audited in 42 countries, including audits from Nestlé Group Audit and Bureau Veritas.

### Oxfam Behind the Brands

Nestlé ranks second on Oxfam's 2015 Behind the Brands scorecard, where the NGO ranks the world's 'Big 10' consumer food and beverage companies on policies and commitments to improve food security and sustainability.

The full report with complete GRI Index can be found on our CSV website ([www.nestle.com/csv](http://www.nestle.com/csv)). Also, for the first time this year, we are reporting against the newly published UN Guiding Principles Reporting Framework on Human Rights. We have incorporated reporting on the 11 identified salient human rights issues into our existing CSV report to demonstrate the integral nature of respect for human rights to our role in society. Sustainability reporting is no longer simply a collection of anecdotal stories and data, but rather a holistic exercise in internalising and improving a company's commitment to sustainable development in a way that can be demonstrated to both internal and external stakeholders and shareholders alike. As members of the International Integrated Reporting Council, we will continue to show the connection between our business and our societal activities.

## CSV in support of the Sustainable Development Goals

This reporting year was important, not just for Nestlé but for the United Nations, civil society and the private sector as a whole. In September 2015, 193 Member States of the UN adopted 17 new Sustainable Development Goals (SDGs) to define global priorities from now until 2030. We are reviewing our commitments against the SDGs and believe we should focus on specific goals where, by the nature of the business we are in, we feel we can maximise our impact on a global scale.

The 2015 *Nestlé in society: Creating Shared Value* report is our third in the series based on meeting our societal commitments. We firmly believe that Nestlé's growth over the last one-and-a-half centuries has been built upon integrated thinking where business and societal needs meet. This fundamental belief will help us accelerate our contribution to quality of life while staying true to our conviction that, for our business to prosper in the long term, we must deliver value for shareholders, the communities in which we operate and society as a whole.



We have worked with dairy farmers throughout our 150-year history. Above, farmers deliver milk to the Anglo-Swiss Condensed Milk Company factory in Cham, Switzerland, in 1899.



Through the Village Women Dairy Development Programme, Nestlé empowers women involved in dairy farming to improve milk quality and productivity. Training is conducted by all-female teams.

### Harvard case study on Nestlé and Creating Shared Value

At the end of 2015, Professors Michael Porter and Mark Kramer wrote a teaching case study about Nestlé and Creating Shared Value for the Harvard Business School. The case study shows how Nestlé applies a shared value strategy to drive growth and competitive success in Nutrition, Health and Wellness, while addressing societal issues that impact our business, including water, rural development and sustainability. It was taught for the first time in December 2015, in the presence of our Chairman Peter Brabeck-Letmathe and will soon become a teaching case study available to business schools for download globally.

#### Strong SDG-CSV linkages

 <p><b>2</b> ZERO HUNGER</p>	<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	 <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	<p>Ensure healthy lives and promote well-being for all at all ages</p>
 <p><b>6</b> CLEAN WATER AND SANITATION</p>	<p>Ensure access to water and sanitation for all</p>	 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Ensure sustainable consumption and production patterns</p>
 <p><b>13</b> CLIMATE ACTION</p>	<p>Take urgent action to combat climate change and its impacts*</p>	<p>*Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.</p>	

# Materiality

To be successful, a company cannot afford to ignore what the world thinks about it. Intergovernmental bodies and NGOs, think tanks and socially responsible investors all take a forensic interest in different aspects of a company's activities and their impacts. Social media gives everyone direct access to a communications suite that would have been impossible a decade ago. We listen to our critics and [engage with them](#). Often, our stakeholders have very specific interests and this can be a challenge for us. Which issues should be prioritised? Nestlé uses a formal materiality process to identify the most important issues for our critics, our stakeholders and our business. We have shared the process and analysis in this chapter.

## The materiality process

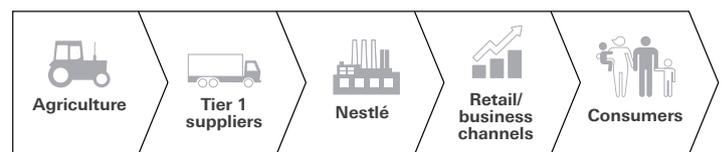
To identify the issues that matter most to our business and our stakeholders, we work with an independent organisation, using a formal materiality process. After extensive consultation, they plot environmental, social and governance issues of concern. The findings are used to determine associated risks and opportunities for Nestlé's reputation, operations and finances.

The issues are placed on a materiality matrix (see below) that displays their position relative to the degree of stakeholder concern and potential business impact. Together, the results represent the material issues facing our business.

In 2014, we extended our materiality analysis as part of our G4 reporting. The process featured a broader sample of stakeholders and value chain analysis, allowing for greater precision in the scoring and ranking of our material issues than in previous years. It also included a robust assessment of business impact, with greater attention to the concerns of socially responsible investors and an independent review of commercial relevance.

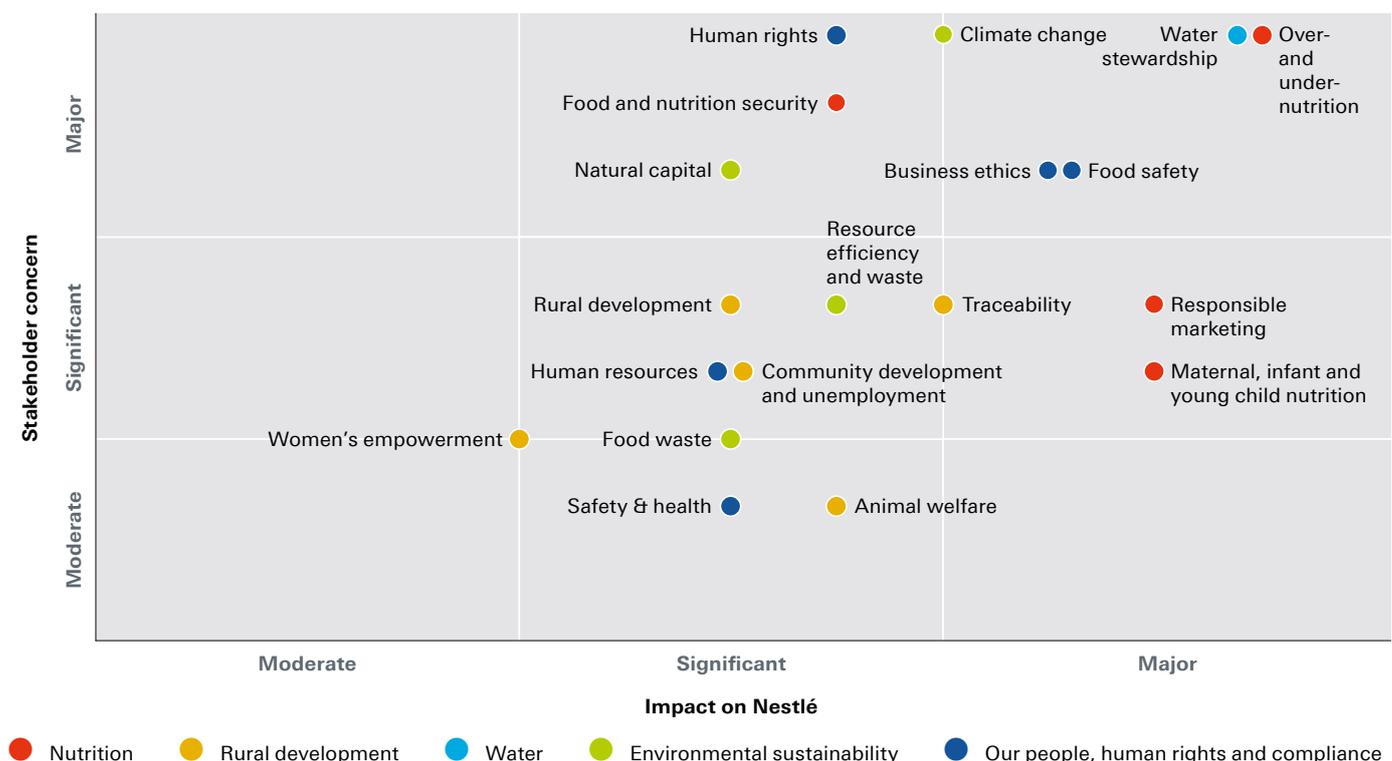
Since publication, we have continued to collect feedback and input on the 2014 results. We have not identified substantive changes to the issues Nestlé faces, our business impacts or the interests of our stakeholders. We will complete a full refresh of the materiality process for the 2016 report and we expect to update the materiality results every two years.

## The Nestlé value chain



Our material issues are considered and mapped with regard to where they may impact our value chain. In the chain, agriculture also includes smallholder farmers with whom we do not have direct relationships. Tier 1 refers to suppliers in direct commercial relationships with Nestlé.

## Nestlé materiality matrix



## Our material issues

Our 19 material issues have been organised under our six Creating Shared Value categories. Each issue is made up of sub-issues, which are explored in associated chapters of this report. Please select a material issue from the table to learn more about the sub-issues.

The results continue to emphasise the priority of the issues of over- and under-nutrition and water stewardship, and the primacy of food safety for our business. They reflect acute and

global stakeholder concern over the issues of climate change, natural capital and human rights. They also indicate our growing understanding of the potential business impacts on the supply chain for a number of issues, including climate change, animal welfare, food waste, natural capital and human rights.

Our table provides a synthesis of the value chain analysis for each material issue. It should be considered in conjunction with the overall materiality matrix.

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/ business channels	Consumers
<b>Overnutrition and undernutrition</b>					
Supporting optimal nutrition, health and wellness through the life course. Helping to address overnutrition, undernutrition, related micronutrient deficiencies, conditions such as overweight and obesity, and non-communicable diseases (NCDs) through portfolio transformation, product and service development and renovation, and popularly positioned products.	●	●	●	●	●
<ul style="list-style-type: none"> <li>• Micronutrient deficiencies</li> <li>• NCDs</li> <li>• Obesity</li> <li>• Overweight</li> <li>• Stunting</li> <li>• Underweight</li> </ul>					
<b>Food and nutrition security</b>					
Contributing to the availability of and affordable access to sufficient, safe, nutritious food.	●	●	●	●	●
<b>Maternal, infant and young children nutrition</b>					
Improving the nutrition of mothers, infants, and children for better health and wellbeing outcomes.	●	●	●	●	●
<b>Responsible marketing</b>					
Marketing in ways that are appropriate to consumer audiences and shaping consumer behaviour to promote better health and environmental outcomes.	●	●	●	●	●
<ul style="list-style-type: none"> <li>• Environmental literacy and communication</li> <li>• Infant formula marketing</li> <li>• Nutritional literacy and communication</li> <li>• Product labelling</li> <li>• Responsible marketing to children</li> </ul>					

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/ business channels	Consumers
<b>Rural development</b>					
Directly and indirectly promoting economic activity and improving livelihoods of agricultural workers in the supply chain to promote sustainable agricultural communities. <ul style="list-style-type: none"><li>Rural living wage</li></ul>	Major	Significant	Major	Moderate	Significant
<b>Traceability</b>					
Ensuring that priority ingredients have been grown and processed responsibly and can be traced back to origin where possible.	Major	Major	Major	Significant	Significant
<b>Animal welfare</b>					
Safeguarding the well-being of animals in the supply chain and promoting farm animal health and welfare.	Major	Major	Significant	Significant	Significant
<b>Women's empowerment<sup>7</sup></b>					
Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community. <ul style="list-style-type: none"><li>Women farmers</li></ul>	Major	Significant	Major	Moderate	Significant
<b>Community development and unemployment<sup>7</sup></b>					
Improving people's lives through community and societal participation and improving access to employment, education and skills development. <ul style="list-style-type: none"><li>Community relations</li><li>Income and wealth inequality</li><li>Living wage</li><li>Youth unemployment</li></ul>	Major	Significant	Major	Moderate	Significant
<b>Water stewardship</b>					
Implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources, including enabling access to water, sanitation and hygiene. <ul style="list-style-type: none"><li>Hygiene and health</li><li>Water quality</li><li>Water security</li><li>Water use</li></ul>	Major	Significant	Major	Significant	Significant

<sup>7</sup> These issues have sub issues that are shared across Rural Development and Our People

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/ business channels	Consumers
<b>Resource efficiency and waste</b>					
Improving the direct and indirect use of resources, reducing waste and optimising opportunities for recovery, reuse or recycling of by-products, and disposing of waste appropriately.  Resource efficiency and waste combines packaging, manufacturing and transport and distribution that were distinct issues in the 2013 matrix. <ul style="list-style-type: none"> <li>Consumer behaviour</li> <li>Energy consumption</li> <li>Land use</li> <li>Littering</li> <li>Manufacturing environmental impacts</li> <li>Packaging</li> <li>Transport and distribution</li> </ul>	●	●	●	●	●
<b>Food waste</b>					
Avoiding food waste and losses along the value chain, including consumer and post-consumer use, distribution, manufacturing and agriculture.	●	●	●	●	●
<b>Climate change</b>					
Reducing GHG emissions and contributing to the mitigation of, and adaptation to, the effects of climate change. <ul style="list-style-type: none"> <li>Climate change adaptation</li> <li>Climate change mitigation</li> </ul>	●	●	●	●	●
<b>Natural capital</b>					
Identifying and preserving elements of ecosystem services that generate value, both directly and indirectly. <ul style="list-style-type: none"> <li>Biodiversity</li> <li>Deforestation</li> <li>Soil fertility</li> </ul>	●	●	●	●	●
<b>Business ethics</b>					
Upholding ethical principles in the business and workplace. <ul style="list-style-type: none"> <li>Consumer privacy</li> <li>Executive compensation</li> <li>Fair taxes</li> <li>Governance and transparency</li> <li>Fraud, bribery and corruption</li> </ul>	●	●	●	●	●

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/ business channels	Consumers
<b>KEY:</b> <span style="color: grey;">●</span> Moderate <span style="color: grey;">●</span> Significant <span style="color: black;">●</span> Major					
<b>Human rights</b>					
Promoting respect for the basic rights and freedoms to which all people are entitled. <ul style="list-style-type: none"> <li>• Child labour</li> <li>• Labour rights*</li> <li>• Land rights</li> <li>• Human rights in the upstream supply chain</li> </ul> <small>*Issue is covered in the chapter on Our People</small>	●	●	●	●	●
<b>Food safety</b>					
Ensuring a high-quality product and preventing health risks arising from handling, preparation and storage throughout the value chain.	●	●	●	●	●
<b>Human resources</b>					
Maintaining positive relations with employees and promoting positive working conditions (in last year's matrix, this was called Employee Relations). <ul style="list-style-type: none"> <li>• Employee benefits, remuneration, attraction, retention</li> <li>• Employee diversity</li> <li>• Employee engagement</li> <li>• Employee training and learning</li> </ul>	●	●	●	●	●
<b>Safety and health</b>					
Targeting zero accidents in the workplace and promoting safe and healthy employee behaviours.	●	●	●	●	●
<b>Women's empowerment<sup>8</sup></b>					
Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community. <ul style="list-style-type: none"> <li>• Women farmers</li> </ul>	●	●	●	●	●
<b>Community development and unemployment<sup>8</sup></b>					
Improving people's lives through community and societal participation and improving access to employment, education and skills development. <ul style="list-style-type: none"> <li>• Community relations</li> <li>• Income and wealth inequality</li> <li>• Living wage</li> <li>• Youth unemployment</li> </ul>	●	●	●	●	●

8 These issues have sub issues that are shared across Rural Development and Our People

## Using our materiality assessment

We use the materiality assessment to refine commitments and identify areas for improvement. It is used by our Issues Round Table (which includes a member of the Executive Board), as well as by our markets and the corporate Risk Management team. The contents help us select the information contained in this report, providing data that responds to stakeholder needs.

We recognise that more evidence is needed to quantify the value delivered by linking business performance and social impact, and we are working to address it. In 2014, we asked Accenture to use our materiality analysis and review the commercial relevance of our material issues.

Overall, our analysis concluded that all of the issues have a significant relationship to our business success. Some are essential for protecting and growing our revenues. Others have significant influence on our cost structure, supply chain and risk. While many can impact our reputation among customers and important stakeholders; this is somewhat intangible to measure, but nevertheless key to our success. In general terms, if we manage these issues poorly, it exposes us to risks, but if managed well, we can turn them into commercial opportunities.

 **To learn more** about the analysis, see our [2014 report](#).

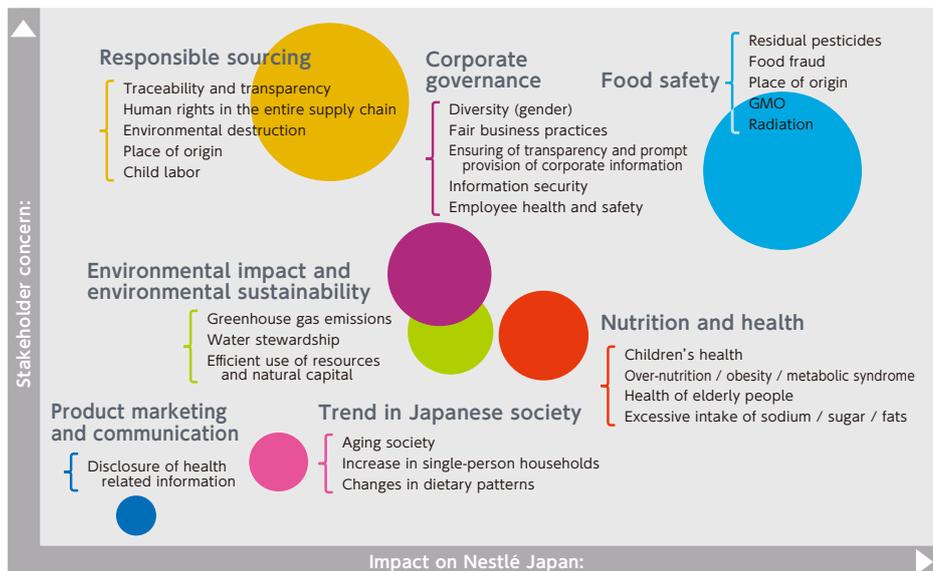
## Materiality at country level

In 2015, Nestlé Japan evaluated its own unique material issues for the first time, while taking into account issues and context characteristic of Japan. Working with Caux Round Table (CRT) Japan, the company identified 49 material issues believed to be of importance from a social perspective. The issues were further examined, based on their relationship and impact to Nestlé Japan's business operations and the degree of interest to stakeholders with expert knowledge.

In turn, they were narrowed to 26 issues, believed to impact Nestlé Japan the most and to be of the greatest interest to our stakeholders. The results of the analysis are displayed in a materiality matrix (below). Nestlé Japan will evaluate the impact of each issue in its value chain, and work to address issues through direct dialogue with stakeholders.

Read more on Nestlé Japan's work to support [healthy ageing](#).

## 2015 Nestlé Japan materiality matrix



- (Responsible sourcing) place of origin = Are producers and workers engaged in safe production, manufacturing and labor conditions at the place of origin?
- (Food safety) place of origin = Is a safe production system in place for consumers in the place of origin? Is food produced with consideration given to safety?

# Introducing our commitments

Our commitments relate directly to our CSV focus areas and our material issues. They help drive continuous improvement and allow stakeholders to hold Nestlé accountable for delivering on its promises. In some instances, the title of a commitment has been updated from last year, to provide greater clarity and transparency, although the ambitions behind our commitments remain unchanged. For more details see our full report available at [www.nestle.com/csv](http://www.nestle.com/csv).



## Nutrition, health and wellness

- Build knowledge leadership in children's nutrition
- Lead the industry in nutrition and health research through collaboration
- Provide nutritionally sound products designed for children
- Help reduce the risk of undernutrition through micronutrient fortification
- Reduce sodium (salt) in our products
- Reduce sugars in our products
- Reduce saturated fats and remove trans fats in our products
- Encourage consumption of whole grains and vegetables
- Deliver nutrition information and advice on all our labels
- Provide Portion Guidance for consumers
- Promote healthy diets and lifestyles, including physical activity
- Promote healthy hydration as part of a healthy lifestyle
- Provide education programmes for good nutrition and feeding practices
- Ensure responsible marketing communication to children
- Market breast-milk substitutes responsibly



## Rural development

- Roll out the Rural Development Framework to understand the needs of farmers
- Implement responsible sourcing in our supply chain
- Roll out the *Nestlé Cocoa Plan* with cocoa farmers
- Continuously improve our green coffee supply chain



## Water

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



## Environmental sustainability

- Improve resource efficiency in our operations
- Provide climate change leadership
- Promote transparency and proactive, long-term engagement in climate policy
- Improve the environmental performance of our packaging
- Assess and optimise the environmental impact of our products
- Provide meaningful and accurate environmental information and dialogue
- Preserve natural capital, including forests



## Human rights and compliance

- Assess and address human rights impacts in our operations and supply chain
- Eliminate child labour in key categories
- Ensure that all employees and stakeholders can easily report possible compliance violations
- Work against corruption and bribery



## Our people

- Ensure all Nestlé employees are covered by a certified Safety and Health Management System
- Enhance gender balance in our workforce
- Provide training on Corporate Business Principles, Nutrition, and Environmental Sustainability
- Roll out the Global Youth Initiative across all our operations

# Business principles and governance

Our business has to be built on clear principles and sound governance. It helps us maintain trust in the Nestlé brand and reduces risk throughout our value chain. We regulate the way we do business using the Nestlé *Corporate Business Principles*, which form the basis of our culture, our values and our Creating Shared Value strategy. The principles are reviewed by our Executive Board and aligned with international best practice, incorporating global standards such as the UN Global Compact Principles.

## The Nestlé *Corporate Business Principles*

All of our employees must comply with [the Nestlé \*Corporate Business Principles\*](#). They are implemented every day through relevant business codes, policies, processes and tools. We monitor their application and effectiveness through various channels, including our [CARE audits](#). To assist continuous improvement, we have introduced a formal commitment to provide [training for the principles](#).

The Nestlé <i>Corporate Business Principles</i>		
<b>Consumers</b>	1. Nutrition, Health and Wellness	We aim to enhance the quality of consumers' lives by offering tastier, healthier food and drinks and encouraging a healthy lifestyle.
	2. Quality assurance and product safety	We want to ensure that, everywhere in the world, the Nestlé name represents the highest levels of product safety and quality.
	3. Consumer communication	We are committed to responsible, reliable communication that informs consumers, promotes healthier diets. We respect consumer privacy.
<b>Human rights and labour practices</b>	4. Human rights in our business activities	We fully support the United Nations Guiding Principles on Business and Human Rights, and aim to set an example of good human rights and labour practices throughout our business activities.
<b>Our people</b>	5. Leadership and personal responsibility	While fostering a culture of respect and dignity, we provide our people with equal opportunities for development, protect their privacy and do not tolerate any form of harassment or discrimination against them. At the same time, we expect our employees to be responsible, motivated, and to respect our values.
	6. Safety and health at work	We are committed to preventing work-related accidents, injuries and illnesses, and to protecting employees, contractors and others involved along the value chain.
	7. Supplier and customer relations	We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards.
<b>Suppliers and customers</b>	8. Agriculture and rural development	We aim to help rural communities become more environmentally sustainable by contributing to improvements in agricultural production and the social and economic status of farmers.
	9. Environmental sustainability	We are committed to environmentally sustainable business practices and strive to use natural resources efficiently, achieve zero waste and use sustainably managed renewable resources.
<b>The environment</b>	10. Water	The world faces a growing water challenge, and we are committed to using water sustainably and improving our water management.

## Our governance and advisory structure

Within Nestlé’s corporate governance structure, the Board of Directors, the Chairman, CEO and Executive Board are responsible for the supervision and management of our role in society, and for the Creating Shared Value strategy.

They are supported by internal management bodies, including the Nestlé in Society Board, Operations Sustainability Council, Issues Round Table, R&D Council for Sustainability and Nutrition, and the Group Compliance Committee.

We also take advice from external advisory groups, including the Creating Shared Value Council and the Nestlé Nutrition Council.

### The Nestlé in Society Board

The Nestlé in Society Board is chaired by our CEO. It leads the strategic development and implementation of Creating Shared Value across our business, including for all societal commitments, objectives and strategies. Specifically, the board works to:

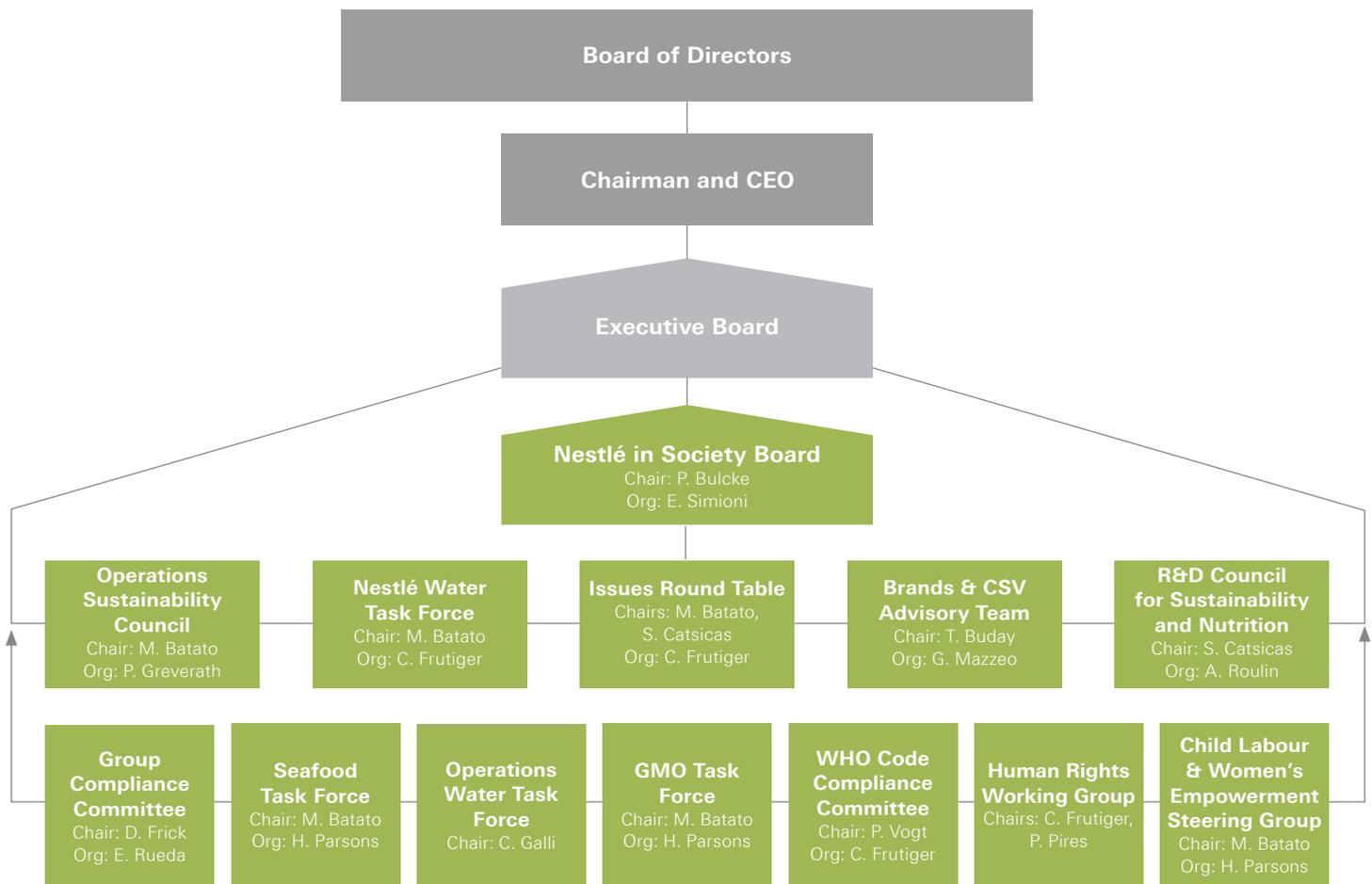
- Ensure alignment and coherence of all activities and work streams related to Nestlé’s positioning in society;

- Assess and draw appropriate conclusions from societal developments affecting Nestlé; and
- Further strengthen Nestlé’s credentials in Creating Shared Value – with focus on nutrition, water and rural development – environmental sustainability and compliance, thereby covering all dimensions of the [Nestlé in Society pyramid](#).

The Nestlé in Society Board currently comprises Paul Bulcke, Magdi Batato, Patrice Bula, Stefan Catsicas, Peter Vogt, Eugenio Simioni, Janet Voûte and Thomas Buday. José Lopez was also a board member during 2015. He retired in September and was replaced by Magdi Batato. The Nestlé in Society Board reverts to the Executive Board for input and confirmation.

 **For more** information on our governance and advisory structure, please see Nestlé’s [Annual Report](#).

## Internal governance structure



 Creating Shared Value

## Nestlé Creating Shared Value Council

The Nestlé CSV Council is formed of 13 external members, with expertise covering corporate social responsibility, strategy, sustainability, nutrition, water and rural development. The group advises Nestlé management on the best ways to

implement Creating Shared Value and assesses Nestlé's progress. The council meetings are chaired by Nestlé's Head of Public Affairs, Ms Janet Voûte. Council members participate in the [Nestlé annual CSV Global Forum](#) and form the judging panel for the [Nestlé Prize in Creating Shared Value](#).

### External members



**Nancy Birdsall** is the founding President of the Center for Global Development. Before founding the Center, she served for three years as Senior Associate and Director of the Economic Reform Project at the Carnegie Endowment for International Peace. From 1993 to 1998, she was Executive Vice President of the Inter-American Development Bank. Before joining the Inter-American Development Bank, she spent 14 years in research, policy and management positions at the World Bank.



**Robert E. Black** is Chairman of the Department of International Health, Johns Hopkins University, Bloomberg School of Public Health. He has devoted his research and professional activities to reducing the number of unnecessary child deaths from diarrhoea, pneumonia, malaria, measles and malnutrition. His many studies are also focused on the impact of nutrition programmes in developing countries and the strengthening of public health training.



**John Elkington** is co-founder of SustainAbility, and Founding Partner and Director of Volans. He is a world authority on corporate responsibility and sustainable development. In 2004, *BusinessWeek* described him as 'a dean of the corporate responsibility movement for three decades' and in 2008, *The Evening Standard* named John among the '1000 Most Influential People' in London, describing him as 'a true green business guru' and 'an evangelist for corporate social and environmental responsibility long before it was fashionable'.



**José Lopez** is a senior leader with 36 years of general management and operational experience in the FMCG industry. Most recently, he held the role of Executive Vice President, Chief Operations Officer, at Nestlé S.A., until his retirement in September 2015. His previous roles in the company include Chairman and CEO of Nestlé Japan Ltd and Managing Director of Nestlé Malaysia & Singapore. He has recently become a Fellow of the University of Cambridge Institute for Sustainability Leadership (CISL) and the Executive in Residence at IMD Lausanne.



**Venkatesh Mannar** is former President of the Micronutrient Initiative (MI), having overseen the implementation of MI's global mandate to support national actions to eliminate micronutrient malnutrition. MI works in collaboration with major international agencies, national governments, private industry and NGOs to expand and strengthen national programmes through a combination of technical, operational and funding support.



**Ruth Khasaya Oniang'o** was formerly Professor of Food Science and Nutrition at Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya and adjunct Professor of Nutrition at Tufts University in the USA. She is also Founder and Executive Director of the Rural Outreach Program Kenya, as well as Founder and Editor-in-Chief of the *African Journal of Food, Agriculture, Nutrition and Development*. She has published and communicated widely on household food and nutritional security, and women's nutrition and children's health. She works on rural developments focused on women smallholder farmers and is a former member of parliament in Kenya.

## External members



**Prabhu Pingali** is Professor and Director of the Tata-Cornell Agriculture and Nutrition initiative at Cornell University and Full Professor in Applied Economics. He has more than 25 years of experience in assessing the extent and impact of technical change in developing agriculture in Asia, Africa and Latin America. He was formerly the Deputy Director of the Agriculture Development Program at the Bill and Melinda Gates Foundation, Director of the Agricultural and Development Economics Division of the Food and Agriculture Organization (FAO), and earned a PhD in Economics from North Carolina State University in 1982.



**Michael E. Porter** is Bishop William Lawrence University Professor at the Harvard Business School. He is a leading authority on competitive strategy, the competitiveness and economic development of nations, states and regions, and the application of competitive principles to social problems such as healthcare, the environment and corporate responsibility.



**Robert L. Thompson** is a visiting scholar at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies in Washington DC. He is Professor Emeritus of Agricultural Policy at the University of Illinois in Urbana-Champaign and an international authority on agricultural development and international agricultural trade policy. He is a Senior Fellow of the Chicago Council on Global Affairs and serves on the USDA-ustr Agricultural Policy Advisory Committee for Trade and the International Food and Agricultural Trade Policy Council. Formerly, he was Director of Rural Development at the World Bank, Dean of Agriculture at Purdue University, and Assistant Secretary for Economics at the US Department of Agriculture.



**Kraisd Tontisirin** is Director of the Institute of Nutrition at Mahidol University in Thailand and FAO's former Director of the Nutrition and Consumer Protection Division. He is President of the 2009 International Congress of Nutrition Organizing Committee, which was held in Bangkok in October 2009. He has an extensive background in successful efforts to improve diets and reduce nutritional deficiencies in developing countries.



**Ajay Vashee** was, most recently, President of the International Federation of Agricultural Producers (IFAP), which represented farmers at the world level. Elected at the 38<sup>th</sup> IFAP World Farmers' meeting in June 2008, he was the first President from a developing country (Zambia).



**Ann M. Veneman** has a distinguished career in public service. Most recently, she served as Executive Director of UNICEF from May 2005 to April 2010; previously, she was US Secretary of Agriculture from 2001 to 2005. While at UNICEF, she worked to advance issues to support child health and nutrition, quality basic education for all, access to clean water and sanitation, and the protection of children and women from violence, exploitation and HIV/AIDS. In 2009, she was named in the Forbes 100 Most Powerful Women list, ranking 46<sup>th</sup>. Ann M. Veneman serves as co-chair of Mother's Day Every Day, a bipartisan campaign to raise awareness and resources to improve the health of mothers and newborns globally.



**Alexander J.B. Zehnder** is the Scientific Director of the Alberta Water Research Institute in Edmonton, Canada, founder and director of Triple Z Ltd, Visiting Professor at NTU, and Professor Emeritus of ETH Zurich. His major knowledge areas comprise qualitative and quantitative aspects of water, water policy, the relation between food and water security, virtual water trade, water infrastructures; scientific and economic fundamentals for sustainable development; developing capital market instruments; microbiology; managing small and medium enterprises and large public institutions and universities.

## The Nestlé Nutrition Council

The Nestlé Nutrition Council is an independent advisory panel made up of leading international nutrition scientists. The council considers and advises our senior management team on nutrition challenges and their potential impact to Nestlé's policies and strategy. It is instrumental in advising on and

challenging the reviews of our research programmes. It also organises the Annual Nestlé International Nutrition Symposium.

The Council is chaired by our Chief Technology Officer and Executive Vice President Stefan Catsicas, and meets twice a year. Nestlé members include Edward Baetge, Thomas Beck, Grégory Behar, José (Pepe) Saavedra and Heiko Schipper.

### External members



**Keiko Abe** is Professor Emeritus and Project Professor at the University of Tokyo. She leads a Health and Anti-Aging project at Kanagawa Academy of Science and Technology (KAST) and is a committee member on several governments and corporate boards. She also heads Prime Minister Abe's Cross-ministerial Strategic Innovation Promotion Program (2014–2019) on next-generation functional foods and agricultural-fishery products. She has received many honourable awards, including the Purple Ribbon Medal.



**Prof. Dr Tamas Bartfai**, is Professor, Department of Chemical Physiology, The Scripps Research Institute, USA; Visiting Professor of Drug Discovery, Department of Pharmacology Oxford University; Adjunct Professor, Department of Pharmacology, University of Pennsylvania, Philadelphia, PA and Department of Neurochemistry, University of Stockholm; former SVP Hoffman La Roche, Basel. He is a member of Academia Europae, Royal Swedish Academy of Sciences, and an AAAs elected fellow and works on energy metabolism, fever, and the hypothalamic regulation of feeding and thermogenesis. Dr Bartfai has been involved in industry and academia in the development of several drugs that are in clinical use.



**Dominique C. Belli** is Head of the Pediatric Department in the University Hospital of Geneva, Switzerland. He is a member of the Swiss Pediatric Committee on Nutrition, as well as of the European Society for Pediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN), having also served as a council member and Treasurer of ESPGHAN for several years.



**Adam Drewnowski** is Director of the Center for Public Health Nutrition; Professor of Epidemiology at the University of Washington, and a member of the Fred Hutchinson Cancer Research Center in Seattle. He has advised governments, foundations and industry on issues related to sustainable food and nutrition security and is the author of over 250 publications in peer-reviewed journals. Dr Drewnowski is a trustee of the International Life Sciences Institute (ILSI) and Chair of the board of trustees of ILSI Research Foundation.



**Susan M. Gasser** is the Director of the Friedrich Miescher Institute for Biomedical Research. She holds a professorship at the University of Basel, before which, she was Professor of Molecular Biology at the University of Geneva. Recognised for her groundbreaking work in epigenetic inheritance and genome stability, she has been elected to the Académie de France, the Swiss Academy of Medical Sciences, EMBO, and has received multiple awards including the FEBS-EMBO Women in Science Award. An advisor to the European Commission, Susan Gasser also serves on scientific review panels for institutes across Europe.



**Michael Gibney** is Professor of Food and Health at University College Dublin. He has previously held academic posts in nutrition at the medical schools of Trinity College Dublin and The University of Southampton. He served as the President of the Nutrition Society and has participated at high-level advisory committees to the EU and the UN, as well as national agencies. His research is focused on the integration of public health nutrition and molecular nutrition.

## External members



**Josef Penninger** is founding director of the Institute of Molecular Biotechnology (IMBA) of the Austrian Academy of Sciences in Vienna, and formerly a lead researcher at the Amgen Research Institute in Toronto. He has been awarded the Descartes Prize, the Wittgenstein Prize of the Austrian Federal Government, the Ernst Jung Prize for medical excellence, the Award as Elected Fellow of the American Association for the Advancement of Science, the Innovator Award from Era of Hope/DOD and a second ERC Advanced Grant.



**Susanne Suter** is the president of the Nestlé Foundation for the study of problems of nutrition in the world. She is the former Head of the Department of Pediatrics, Medical Faculty, University of Geneva and Director of the University Children's Hospital, Geneva. She served as a member of the Research Council of the Swiss National Science Foundation, and later as the President of the Swiss Science and Technology Council, as well as a member of the senate of the Austrian Academy of Sciences. She is a member of the Senate of the Leibniz Gemeinschaft in Germany.



**Bruno Vellas** is currently Chairman of the Toulouse Gerontopole, Chief of the Department of Internal Medicine and Geriatrics at the Toulouse University Hospital, and Chief of the Alzheimer Disease Clinical Research Centre, University of Toulouse and member of INSERM (the National Institute of Medical Research) 1027 Unit on Aging. He was nominated Officier de la Légion d'Honneur and is a corresponding member of the French National Academy of Medicine.



**Weiping Wang** is Honorary Director of the Pediatrics Research Institute at the Children's Hospital of Fudan University. He has also served as President of the Children's Hospital and Executive Vice-President of the former Shanghai Medical University (SMU). He is the Administrative Committeeman of the Committee of the Chinese Medical Association, and serves as a consultant to the Committee of the National Association of Growth and Development in children, in China.

# Stakeholder engagement

Even when we are making progress, we will always need the advice of the best experts and advocates. We use stakeholder engagement to develop and improve our corporate policies and commitments. It helps us to build our business and target our societal investments.

Our annual programme of stakeholder convenings and Creating Shared Value events provide an opportunity to intensify that dialogue, building on our understanding of critical societal issues. The interaction develops the capability of our people, facilitating more effective collective action. Our stakeholder convenings aim to promote increased levels of trust and mutual respect.

Our businesses engage with stakeholders at a country level. Outcomes are fed back to senior management through the Nestlé in society Board.

## Our stakeholder groups

Our global stakeholder network is vast, ranging from people we engage with regularly through our operations to those in public positions who influence our activities.

Nestlé identifies the following groups as fundamental to our continuing business success:

- Academia;
- Communities;
- Consumers and the general public;
- Customers;
- Employees and their representatives;
- Governments;
- Industry and trade associations;
- Intergovernmental organisations;
- Non-governmental organisations;
- Reporting agencies;
- Shareholders and the financial community; and
- Suppliers (including farmers and smallholders).

## Stakeholder convenings

Nestlé stakeholder convenings are hosted and organised by external experts. They ensure we receive independent opinions and feedback, which is critical. These events address issues that are specific to our value chain and focus areas in which Nestlé can create shared value.

In 2015, we held stakeholder convenings in London in March (50 stakeholders) and Washington DC in December (61 stakeholders), which were attended by representatives of NGOs, academia, government and international organisations.

### London stakeholder convening, 17–18 March 2015:

This stakeholder convening was the fourth to be held in London since their inception in 2007. It was attended by 50 stakeholders as well as Nestlé S.A. Chief Executive Officer Paul Bulcke, Nestlé senior executives and experts from headquarters.

There was significant interest in the role that Nestlé could play in leading systems level change on CSV issues. Participants called on Nestlé to play a bigger, bolder role and to set a clear, longer-term vision for what the company is aiming to achieve.

### Washington stakeholder convening, 7–8 December 2015:

This was Nestlé's second stakeholder convening to be held in Washington DC. The convening provided Nestlé with an opportunity to share progress on its CSV programmes and commitments. This included Nestlé's CSV work in the USA and priorities in the Zone Americas. The event was attended by 61 stakeholders and by Laurent Freixe, Executive Vice President of Nestlé S.A. and Head of Zone Americas, as well as other Nestlé senior executives and experts from headquarters.

## Creating Shared Value Forum



The 2014 Creating Shared Value Forum in Lausanne, Switzerland, explored how business can create long-term value to accelerate sustainable development.

The biennial Creating Shared Value Global Forum is a unique day-long event that brings together development and business experts from around the world. It is designed to stimulate thinking about the increasingly important role of business in helping to address major socio-economic challenges in the context of limited natural resources and climate change.

In 2014, Nestlé co-hosted the forum in Switzerland with the United Nations Conference on Trade and Development. The event's goal was to engage panellists and participants in a thoughtful discussion on how governments worldwide can work together with civil society and the private sector to accelerate sustainable development. More than 200 guests attended in person, 4621 took part via the internet, and the event attracted 5948 Twitter posts.

The 2016 Creating Shared Value Global Forum will be held in Abidjan, Côte d'Ivoire, on 21 June 2016. Entitled 'Investing in Sustainable Development in Africa', the forum will bring together business, civil society and government leaders from Africa and beyond to discuss a range of key topics affecting the African continent, such as building stronger economies and communities, health and nutrition security, increasing farmer resilience, and approaches to inclusive and sustainable economic growth.

## Stakeholder recommendations

Participants at the convenings made a number of recommendations, which we have shared below. Feedback is also considered when assessing the material issues of our business.

### Further develop the Creating Shared Value approach

Participants recommended a number of ways in which Nestlé may develop and extend its work on CSV. Participants recommended that Nestlé assume more societal responsibility. Opportunities to advance CSV recommended by participants included:

- Develop and communicate a long-term CSV vision and ambition for Nestlé, as a whole and in each CSV focus area;
- Ensuring the company will continue to progress in areas where it has achieved targets;
- Enhancing transparency and engagement around its CSV work, including sharing data in CSV areas, particularly nutrition, rural development and water;
- Setting science-based targets that reflect the scale of change necessary to address global sustainability challenges; and
- Collaborate with peers, governments, NGOs and the supply chain on CSV issues. This may include stimulating sector level change on salt, sugar and fat reductions by requiring performance improvements and innovation from suppliers.

### Extend leadership in public policy

Participants emphasised the value of Nestlé participation and leadership in public policy, and identified governments as key partners in work to address CSV issues. The role Nestlé has played in supporting climate policy was acknowledged. Participants emphasised the need for Nestlé to lead and drive change in other CSV areas.

### Expand Nestlé's role in supporting the delivery of the Sustainable Development Goals (SDGs).

Participants noted the strong alignment between Nestlé's work on CSV and the SDGs. Participants encouraged Nestlé to align commitments, particularly on maternal, infant and young child nutrition with specific goals.

### Focus on the reduction of poverty and the elimination of stunting

Poverty was highlighted as a critical issue and priority in the agricultural supply chain. Participants encouraged Nestlé to look at how poverty alleviation can be included in its own work on its supply chain. Stunting was identified by participants as an urgent priority in efforts to reduce undernutrition. Participants recommended that Nestlé make a commitment to eliminating or reducing child stunting in the communities in which it works.

Source: SustainAbility

## The Nestlé Creating Shared Value Prize

The Nestlé Creating Shared Value Prize is awarded by the Nestlé CSV Council every two years.

The competition helps scale up or replicate business-oriented initiatives that address challenges in nutrition, water or rural development. It rewards programmes that reflect the spirit of Creating Shared Value with financial and technical support from Nestlé. The competition is open to social and private enterprises, as well as NGOs.

In 2015, much of our work focused on leveraging the activities of the 2014 prizewinners, which we have shared in this report. We have received entries from 450 applicants for the CSV Prize 2016. The applications were thoroughly screened across four stages by 21 external and 10 internal experts. The winner(s) of the CSV Prize 2016 will be announced at the CSV Forum 2016 in Abidjan.



Nestlé's Creating Shared Value (CSV) Prize facilitates the application of CSV to all kinds of innovative activities in developing countries. For me, it has been an important demonstration that CSV is not just the domain of large corporations, but that it can and should play an equally significant role at a smaller scale of activity. Through the prize, Nestlé shares some of the value it has created with smaller entrepreneurs. They, in turn, share the value that they create with their partners and beneficiaries.

Having been privileged to be part of the screening process since the inception of the CSV Prize, I could observe that procedures and criteria for the screening and selection of applications have evolved over the years. What we have now is a solid and professionally managed selection process that should bring forward innovative proposals in future rounds."

**Werner Kiene, Chairman – Board of Trustees,  
Marine Stewardship Council**

## Selection Criteria for the CSV Prize 2016

### General criteria

#### 1) Innovation

- Does the initiative truly represent an innovative approach to the problem it seeks to address?
- Innovation may result from the use of new methods, new models, new technologies, or application of old methods, models or technologies in a new, novel way.

#### 2) Environmental sustainability

- Is the initiative implemented in a way that takes into account environmental sustainability (i.e. efficient use of natural resources, use of sustainably managed renewable resources, waste avoidance)?

#### 3) Impact/results to date

- Has the initiative demonstrated tangible, measurable results on a pilot or small scale? Has the initiative demonstrated high social and environmental impact to date?

#### 4) Replicability

- Is the initiative feasible on a broader scale and/or can it be replicated in other social, cultural or geographical settings?

#### 5) Scaling up

- Has evidence been provided that the initiative is built on a sound and viable business model? Has evidence been provided that it can continue beyond the prize funding?

#### 6) Organisational capacity

- Has evidence been provided that the organisation behind the initiative has the capacity and leadership to implement the scale-up plan? Is the local community, including women, involved in the management of the initiative?

#### 7) Potential for CSV

- Does the initiative exemplify the concept of Creating Shared Value (i.e. simultaneously creating business/economic value while addressing societal problems)? Is value created for all participants of the initiative?

#### 8) Impact of CSV Prize funding

- Will the CSV Prize funding make a difference? What is the added value of the CSV Prize on the initiative?

### Specific criteria



#### Nutrition, health and wellness

- Conservation of human life/health
- Evidence-based
- Contribution to human and economic development
- Health benefit relative to cost effectiveness



#### Rural development

- Access to market
- Growth & equality
- Gender and women empowerment
- Water
- Impact on nutrition and health



#### Water

- Water productivity
- Access to water
- Impact on other environmental parameters
- Impact on nutrition and health
- Impact on rural development

### Progress update: Honey Care Africa (2014 CSV Prize winner)

Honey Care Africa is a fair trade honey company. It supports thousands of rural smallholder farmers in South Sudan, helping them become commercial beekeepers. The farmers gain additional income producing honey in an area where the equatorial forests provide a rich source of nectar for the bees.

With the prize money, Honey Care Africa has expanded four clusters so far, establishing 30 beekeeping groups comprising 764 beekeepers.

More than 560 group members have received free training on best practices. The partnership continues to be a creative one: our Equatorial African Region team is also exploring distribution opportunities for Honey Care honey in our food and beverages supply chain, and beekeeping opportunities for our coffee farmers.



The recognition and credibility of the award has resulted in important new relationships, and the long-term partnership with Nestlé has already expanded well beyond the prize.”

**Madison Ayer, Chairman and CEO,  
Honey Care Africa**



The production and quality team from Honey Care Africa visiting the Nestlé Kenya factory.

### Progress update: Sanergy (2014 CSV Prize runner-up)

Sanergy is a social enterprise that designs and manufactures low-cost and high-quality sanitation facilities for informal settlements in Kenya. It produces Fresh Life Toilet facilities and franchises them to local residents who receive training, access to finance and the ongoing support they need to maintain the business. Overheads and capital expenditure costs are recovered through the collection and conversion of waste into reusable by-products, such as organic fertiliser.

Sanergy employees have benefited from an ongoing mentorship programme from senior management at the Equatorial African Region office. The Nestlé team has been able to share expertise in finance, human resources, information systems and technology, supply chains, sales and corporate affairs.

Using the prize money, Sanergy has franchised 165 new toilets, reaching more than 45 000 residents in low-income urban areas.



The Nestlé Creating Shared Value Prize enabled Sanergy to develop a great network of partners, mentors and peers as we work to scale up our operations throughout Nairobi.”

**David Auerbach, Co-Founder, Sanergy**



Cornel Krummenacher, our Equatorial African Region Market Head, visiting the Sanergy plant in Nairobi.

**Progress update: MSABI (2014 CSV Prize runner-up)**

MSABI is a not-for-profit organisation that runs one of the largest rural water, sanitation and hygiene programmes in Tanzania. Water points are established through a market-based approach and installed by locally trained service providers. Selected for its True Life Water Point programme, MSABI specialises in reaching remote rural communities at the end of the delivery chain using local transport, bicycles and motor bikes.

Using the prize money, MSABI has set up 12 water points, which benefit 3656 people, and established 4 new maintenance contracts to ensure a sustainable supply of water for around 11 000 people. Importantly, 12 service providers have been trained and the team is continuing to develop its monitoring platform.

MSABI employees in sales, supply chain, human resources, corporate affairs and finance have been able to engage with the Equatorial African Region management team. This has helped them acquire various skills, enabling them to become even more effective in the performance of their daily tasks.



The Creating Shared Value Prize is a great opportunity for innovative organisations to achieve international recognition and inject the necessary resources to grow exciting social enterprises that benefit society."

**Dale Young, Director, MSABI**



A True Life water point

**Progress update: Fundación Paraguaya de Cooperación y Desarrollo (2012 CSV Prize winner)**

In 2012, Nestlé awarded the CSV Prize to Fundación Paraguaya, to support its vocational agricultural schools for marginalised teenagers in rural Paraguay. The project ensures students receive technical and business training on top of their normal academic education. Schools are self-sufficient, generating income through their own farming activities.

With the CSV Prize money, an additional school has been established in San Pedro, and by mid-2015 student numbers had increased to 85, with 24 graduates. Self-sufficiency has increased from 18% to 48%. Our Nestlé employees from South American markets attend the school as visiting teachers, and discussions are taking place around the development of micro-franchises and the Poverty Stoplight programme.



Students of an agricultural school

# Public policy and advocacy

Companies are playing an increasingly active role in society, and are often consulted in the process of developing policies and regulations. Today, businesses (including Nestlé) are expected and invited to participate in such activities. Providing our expertise to assist more informed decision-making, in a collaborative environment with governments, authorities and other relevant bodies, is therefore an important responsibility. We have procedures in place that support consistent transparent interaction, and ensure that engagement is carried out professionally and with high standards. Our [policies, documents and reports](#) are publicly available online, and we also publish our positions on key issues on our website (see [Ask Nestlé](#)).

## Committed to transparency

Transparency underpins our engagement process. It provides the basis for deeper dialogue, which in turn builds knowledge and understanding. We outline our expectations with employees through the [Nestlé Policy on transparent interaction with authorities and organisations](#), and we provide training for all country-level Nestlé staff, including Human Resources, Legal, Operations and Public Affairs.

In Europe, Nestlé is listed in the European Union Transparency Register, which gives everyone direct access to information about who is engaging with decision-makers. We follow the register's code of conduct. In the USA, we file quarterly public reports outlining our engagement activities with the US Congress.

We also operate an online external grievance system called '[Tell us](#)', which enables stakeholders to raise their concerns directly.

### Nestlé's industry affairs guidelines

Due to the size and diversity of our business, we are involved in many industry organisations and trade associations at all levels. These efforts require expertise, resources, coordination and alignment across our business.

Last year, we implemented internal guidelines to help markets manage these relationships, in alignment with our corporate strategy. They contain a structured approach and recommendations for participating in industry and trade associations, helping our employees to:

- Understand the association landscape;
- Set priorities and select the relevant industry associations;
- and
- Develop rules of engagement with industry associations.

There are two notable instances where the guidelines have already helped us. In Latin America, the consumer goods industry is seeking to develop an industry vision for the region. The vision articulated is to enhance the industry standards and practices, enable a sustainable value chain efficiency, including a social agenda, and lead positive collective action and outcomes for consumers and local communities. The guidelines have helped our Latin American markets participate with 'one voice' in this regional agenda.

The guidelines also encourage effective priority-setting. At Nestlé USA, a new process has been introduced to prepare a CEO briefing paper for meetings with organisations such as the Grocery Manufacturers Association. This allows the local team to collate relevant matters, consider them and put them forward together, ensuring nothing is missed.

# Partnerships and collective action

As a global company, Nestlé faces a wide range of complex challenges, from rising obesity to child labour and climate change. We need to pursue joint action to achieve sustainable results. By building relationships with partners and like-minded stakeholders at all levels, we enable our people to listen, learn and contribute effectively.

## A strategic approach

We benefit from engaging with diverse stakeholders, and by working together we maximise what can be achieved. They include multilateral agencies, international organisations, governments, academia, NGOs and industry bodies.

Nestlé would only consider partnerships that are relevant to our CSV commitments and that have a large impact. To identify the best matches, we have set up specific criteria that guide us in the selection process. This list of partnership criteria helps contacting organisations, and Nestlé, define how a partnership will generate added value to both parties. Our partnership with the [International Federation of Red Cross and Red Crescent Societies \(IFRC\)](#) began in 2002, and since 2005, 228 861 people have been reached through water, sanitation and hygiene programmes.

The partnership has grown organically, developing from a philanthropic focus to increased support towards Creating Shared Value focus areas. During that time, we have increased our flexibility, giving closer access to projects, planning and monitoring and to the transfer of expertise. The IFRC has provided speakers at associated events such as World Water Week and our stakeholder convenings.

Together, we have fostered local collaborations, encouraging Red Cross and Red Crescent national societies and Nestlé business units around the world to cooperate better and establish relationships.

We have also donated over CHF 230 288 to support emergency relief operations. The IFRC has helped us improve our response to high-profile natural disasters and ensure that Nestlé's contributions worldwide are managed efficiently.

 **Read more** about the partnership activities in [Côte d'Ivoire and Ghana](#).

## Our partnership selection criteria:

- Relevance of partnership focus to Creating Shared Value and our commitments;
- Partnership ability to solve a problem or to add value;
- Impact and scale of proposed partnership, to make a difference;
- Financial value and other resources, aligned with impact and scale;
- Little overlap with existing partnerships;
- Geographical scope – global, regional or local; and
- Alignment with the Nestlé *Corporate Business Principles*.

## Nestlé and the IFRC: a successful long-term partnership

2002–2005	2006–2009	2010–2013	2014–2019
<p>Provision of peer education and workplace <b>HIV/AIDS</b> programmes to build awareness of the sources of HIV/AIDS among the youth (Nigeria and Kenya)</p> <p>Corporate sponsor of the <b>Africa Health Initiative (ARCHI)</b></p> <p><b>Food Basket Calculator</b> software developed with the expertise of Nestlé Nutrition researchers to determine the nutritional value of available foods and put together the ideal 'food basket' for IFRC emergency feeding programmes.</p> <p><b>CHF 3.4 million</b></p>	<p><b>Mozambique: (2006–2007)</b> Water and sanitation project in Mozambique and Côte d'Ivoire with <b>79</b> village water supplies completed. This included community and participatory hygiene and sanitation training of volunteers for 40 000 beneficiaries. The project was later taken up by the EU and scaled up to 200–250 water suppliers over three years.</p> <p><b>PHAST* 1: 2007–2009</b> Project integrated into the Nestlé Cocoa Plan in Côte d'Ivoire.</p> <p><b>PHAST* 2: 2010–2011</b></p> <p><b>CHF 3 million</b></p>	<p><b>PHAST* 3</b> Continued focus on water and sanitation in Côte d'Ivoire to improve access, health and hygiene awareness among school children, teachers and local communities in 55 schools covering 65 water points. Strengthened the capacity of local communities and that of the Red Cross Society of Côte d'Ivoire in the long-term management of water and sanitation facilities.</p> <p>Sponsored the production of the IFRC's flagship publication, the annual World Disasters Report (WDR).</p> <p><b>CHF 3 million</b></p>	<p><b>PHAST* 4</b> Partnership extended for another five years with the same focus on improving access to water, sanitation and hygiene.</p> <p>Now covering Côte d'Ivoire and Ghana and targeting 54 additional communities.</p> <p>Project management enhanced by regular steering committee meetings.</p> <p>Collecting data quickly and accurately is a key challenge. Now using an advanced mobile data collection system (RAMP) to improve speed, accuracy and ease of collecting and analysing information.</p> <p><b>CHF 5 million</b></p>

\* **PHAST: the Participatory Hygiene and Sanitation Transformation** approach has the objectives of improving hygiene behaviours to reduce diarrheal disease and encouraging effective community management of water and sanitation services.

## Fostering collective action in 2015

- In December 2014, at the annual United Nations (UN) Forum on Business and Human Rights, Nestlé CEO Paul Bulcke gave the CEO keynote statement, underlining the need for collective action to address the systemic human rights issues that the world faces. He said:



Together with other companies, we will continue to raise awareness on business and human rights in the different business and multi-stakeholder associations and initiatives. At the retailer and manufacturer level, for example, as part of the Consumer Goods Forum that I'm currently co-chairing. Or through the work of the UN Global Compact, the World Business Council for Sustainable Development, the ILO Child Labour Platform and others."

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- The World Economic Forum (WEF) has published an [editorial](#) written by Mr Bulcke in which he calls for a multi-stakeholder approach to address the challenge of food and nutrition security. In January, he also spoke at a WEF open session on the role of business in society. The event, entitled 'Should Business Lead the Social Agenda', can be viewed on the [WEF website](#).
- Mr Bulcke spoke at 'Global Compact +15: Business as a Force for Good' in New York on climate action and the environment and called for coordinated action by governments, companies and NGOs to address climate change and safeguard water resources.
- At the EAT Stockholm Food Forum, Mr Bulcke spoke on the role of the private sector in supporting the [UN Sustainable Development Goals \(SDGs\)](#). The SDGs are a new, universal set of goals, targets and indicators that UN member states can use to form their agendas and political policies over the next 15 years.
- At the Global Business Summit of the Consumer Goods Forum, Mr Bulcke spoke on the importance of acting together to build trust in the consumer goods industry.

## Summary of key relationships

To offer an insight into and transparency around our active relationships and memberships, we have listed them below. We include links to their external websites and to associated information in this report.

Creating Shared Value focus	Nestlé in society	Nutrition, health and wellness	Rural development	Water	Environmental sustainability	Human rights and compliance	Our people
<b>Global partnerships and alliances</b>							
<a href="#">Danish Institute for Human Rights</a>							
<a href="#">EPODE International Network</a>							
<a href="#">Global Good</a>							
<a href="#">Global Road Safety Partnership</a>							
<a href="#">IDH Sustainable Coffee Program (SCP)</a>							
<a href="#">Institute for Human Rights and Business</a>							
<a href="#">International Cocoa Initiative</a>							
<a href="#">International Dual Career Network</a>							
<a href="#">International Federation of Red Cross and Red Crescent Societies</a>	NiS						
<a href="#">Ocean Outcomes</a>							
<a href="#">Proforest</a>							
<a href="#">Project WET Foundation</a>							
<a href="#">Shift</a>							
<a href="#">Solidaridad</a>							
<a href="#">Stockholm International Water Institute</a>							
<a href="#">Sustainable Fisheries Partnership</a>							
<a href="#">TFT</a>							
<a href="#">Verité</a>							
<a href="#">World Animal Protection</a>							
<a href="#">World Business Council for Sustainable Development</a>							
<a href="#">World Resources Institute</a>							
<a href="#">WWF</a>							
<b>Regional partnerships and alliances</b>							
<a href="#">AMERIPEN</a>							
<a href="#">EUROPEN</a>							
<a href="#">Salt Smart Americas initiative</a>							
<a href="#">Working Parent Support Coalition</a>							
<b>Memberships in multi-stakeholder platforms and alliances</b>							
<a href="#">2030 Water Resources Group</a>							
<a href="#">The 4C Association</a>							
<a href="#">Alliance for Water Stewardship</a>							
<a href="#">Caring for Climate</a>	NiS						
<a href="#">Climate Disclosure Standards Board</a>	NiS						

Creating Shared Value focus	Nestlé in society	Nutrition, health and wellness	Rural development	Water	Environmental sustainability	Human rights and compliance	Our people
<a href="#">Every Woman Every Child</a>							
<a href="#">Fair Labor Association</a>							
<a href="#">Global Reporting Initiative</a>	NiS						
<a href="#">International Integrated Reporting Council</a>	NiS						
<a href="#">Sustainable Food Lab</a>							
<a href="#">UN 10-Year Framework Programme on Sustainable Food Systems</a>							
<a href="#">UNEP World Conservation Monitoring Centre</a>							
<a href="#">United Nations Global Compact LEAD</a>	NiS						
<a href="#">Water Footprint Network</a>							
<a href="#">World Economic Forum</a>	NiS						
<b>Industry alliances</b>							
<a href="#">Bioplastic Feedstock Alliance</a>							
<a href="#">Bonsucro</a>							
<a href="#">Cambridge Institute for Sustainability Leadership</a>							
<a href="#">The Consumer Goods Forum</a>	NiS						
<a href="#">EU Platform for Action on Diet, Physical Activity and Health</a>							
<a href="#">European Food Sustainable Consumption and Production Roundtable</a>							
<a href="#">Fairtrade International</a>							
<a href="#">Global Business Coalition for Education</a>	NiS						
<a href="#">International Food and Beverage Alliance</a>							
<a href="#">International Special Dietary Foods Industries</a>							
<a href="#">International Union of Food Workers</a>							
<a href="#">Natural Capital Coalition</a>							
<a href="#">Rainforest Alliance</a>							
<a href="#">Roundtable on Sustainable Palm Oil</a>							
<a href="#">Sustainable Agriculture Initiative (SAI) Platform</a>							
<a href="#">Tropical Forest Alliance 2020</a>							
<a href="#">UTZ</a>							
<a href="#">World Cocoa Foundation</a> and <a href="#">CocoaAction</a>							

## Our work with the United Nations

The [United Nations Global Compact \(UNGC\)](#) is a strategic policy initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Nestlé's own *Corporate Business Principles* incorporate the UNGC's Ten Principles and we reflect the basic concepts of fairness, honesty and respect for people and the environment in our business actions. We have also contributed to the [UNGC's Blueprint for Corporate Sustainability Leadership](#), a document designed to improve corporate sustainability performance.

### Our Communication on Progress

As a participant in the UNGC, Nestlé is required to issue an annual Communication on Progress (COP) – a public report on how we are implementing the Ten Principles and supporting broader development objectives set by the UN Millennium Development Goals (MDGs) and the Sustainable Development

Goals (SDGs) adopted on 25 September 2015. The disclosure increases transparency and accountability, drives improvements in performance and safeguards the integrity of the UNGC and the United Nations. Nestlé's COP can be found [here](#) and the table below briefly outlines the ways we are currently supporting the principles, providing links to information in the relevant section of this report.

UNGC Principles	How Nestlé supports them	Links to relevant section
<b>Human rights</b> Principle 1 Principle 2	An eight-pillar Human Rights Due Diligence Programme including policy development, targeted training and human rights risk assessments in our operations.	<a href="#">Human rights</a>
	Assessing and addressing human rights impacts in partnership with the DIHR.	<a href="#">Human rights</a>
	Working with the FLA to combat child labour in the agricultural supply chain. We became a formal member of the FLA in 2012.	<a href="#">Child labour</a>
	Community engagement.	<a href="#">Community engagement</a>
	Promoting human rights among our suppliers.	<a href="#">Human rights</a>
<b>Labour</b> Principle 3 Principle 4 Principle 5 Principle 6	Nestlé Policy on Conditions of Work and Employment.	<a href="#">Labour relations</a> <a href="#">Nestlé Corporate Business Principles</a>
	Revised Nestlé Management and Leadership Principles.	<a href="#">Employee and career development</a> <a href="#">Nestlé Corporate Business Principles</a>
	Ongoing CARE Audit Programme (Compliance Assessment of Human Resources, Occupational Health & Safety, Environment and Business Integrity).	<a href="#">Nestlé Corporate Business Principles</a>
<b>Environment</b> Principle 7 Principle 8 Principle 9	A life-cycle approach.	<a href="#">Environmental life cycle of products</a>
	Ecodesign.	<a href="#">Environmental life cycle of products</a> <a href="#">Packaging</a>
	ISO 14001 certification.	<a href="#">Managing environmental sustainability</a>
	CEO Water Mandate's work streams on policy engagement, water disclosure and human right to water.	<a href="#">Water: collective action</a>
	Water Resources Review roll-out.	<a href="#">Water in our operations</a>
	Carbon Disclosure Leadership Index 2011.	<a href="#">Climate change</a>
	Transport and distribution.	<a href="#">Transport and distribution</a>
	Energy Target Setting Initiative.	<a href="#">Manufacturing</a>
	Our Responsible Sourcing Audit Programme.	<a href="#">Managing responsible sourcing</a>
	Combating deforestation.	<a href="#">Raw materials and deforestation</a>
	Nestlé Commitment on Water Stewardship.	<a href="#">Water stewardship</a>

UNGC Principles	How Nestlé supports them	Links to relevant section
<b>Anti-corruption</b> Principle 10	Code of Business Conduct.	<a href="#">Anti-corruption and privacy</a>
	Anti-corruption training tool.	<a href="#">Anti-corruption and privacy</a>
	New Group-wide integrity reporting system.	<a href="#">Anti-corruption and privacy</a>
	Bribery and Corruption Policy.	<a href="#">Anti-corruption and privacy</a>

## UNGC LEAD

Nestlé is one of more than 50 companies that make up the UNGC's leadership platform

LEAD. As a member of this group, and the LEAD Steering Committee, we work towards advancing the integration of sustainability principles into core business operations and aligning corporate goal-setting with global development



priorities. We also help to establish work plans and assist with coordination, while taking an active part in a number of LEAD task forces and UNGC-led initiatives including:

- UNGC LEAD Post-2015 Development Agenda;
- UNGC LEAD Task Force on UN-Business Partnerships;
- UNGC LEAD Realizing Long-Term Value for Companies and Investors; and
- UNGC LEAD Roadmap for Integrated Sustainability.

## How we helped meet the UN's Millennium Development Goals by 2015:

Goals	Our activities
<b>MDG 1</b> Eradicate extreme poverty and hunger	<a href="#">The Nescafé Plan</a> <a href="#">The Nestlé Cocoa Plan</a> <a href="#">The Rural Development Framework</a> <a href="#">The Nespresso AAA Sustainable Quality™ Program</a>
<b>MDG 2</b> Achieve universal primary education	<a href="#">Building schools</a>
<b>MDG 3</b> Promote gender equality and empower women	Signatory to the <a href="#">Women's Empowerment Principles</a> <a href="#">Women farmers</a> <a href="#">Empowering women in Côte d'Ivoire</a>
<b>MDG 4</b> Reduce child mortality	<a href="#">Water and sanitation projects, South Asia</a> <a href="#">Action Plans to eliminate child labour, Côte d'Ivoire, Turkey and Madagascar</a>
<b>MDG 5</b> Improve maternal health	<a href="#">Global commitment on micronutrient fortification and 200 billion servings by 2016</a> <a href="#">Epigenetics</a>
<b>MDG 6</b> Combat HIV/AIDS, malaria and other diseases	<a href="#">Employee wellness programmes in Greece and Portugal</a>
<b>MDG 7</b> Ensure environmental sustainability	<a href="#">Protecting and enhancing biodiversity</a> <a href="#">Optimisation programme to reduce packaging</a>
<b>MDG 8</b> Develop global partnerships	<a href="#">See our full list of partnerships</a>

## Other working groups

We also play an active role in a wide range of specific initiatives such as:

- Task Force on UN-Business Partnerships;
- Sustainable Stock Exchanges Initiative;
- UNGC Advisory Group on Supply Chain Sustainability;
- UNGC CEO Water Mandate;
- UNGC Food and Agriculture Business Principles;
- UNGC Human Rights and Labour Working Group;
- UNGC Anti-Corruption Working Group;
- Business for the Rule of Law Steering Group and Working Group;
- Caring for Climate;
- Women's Empowerment Principles; and
- Global Business Coalition for Education.

## UNGC LEAD: post-2015 development agenda

Since their launch in 2000 and throughout the 15 years of their implementation, Nestlé sought to help attain the UN MDGs, regarding them as highly important objectives for improving the state of the world. At that time, we took an introspective look at what a company like Nestlé could do to meet this benchmark to improve the quality of life of millions of people. In 2006, we became one of the few companies to specifically report on how our business and 160+ collaborative programmes with local stakeholders contributed to the MDGs. Four years later, we produced a second MDG report on how we were leveraging the nature and scope of our business to help farmers improve incomes, bring greater access to nutritious and safer food, raise the nutritional profile of our products, address micronutrient deficiencies and open up economic opportunities for women and youth. We are currently deepening these efforts and commitments to answer the call to action made by the SDGs.

In the now post-2015 era, where the world has collectively set development priorities in the form of 17 SDGs, Nestlé has reinstated its commitment to strengthening its actions in order to drive positive and sustained change. The universal and transformative SDG agenda is underpinned by rights, and with people and the planet at the centre. We believe doing well as a business and benefiting society can be simultaneously achieved and have been actively involved in the UNGC LEAD's activities to create a roadmap for integrated sustainability.

LEAD companies, such as ourselves, contributed to both the formulation of post-2015 objectives and the design of a supporting architecture for the realisation of related goals. Nestlé was an active member of the LEAD task force working on the post-2015 development agenda. We provided input into different outcome documents, such as the SDG Compass and the Poverty Footprint. Both management tools aim to assist companies seeking to understand the linkages between business and people in their value chains, assess their impact, augment their goal-setting practices and align their businesses with the SDGs.

We believe that business can play an important role in helping to addressing global sustainable development challenges. The post-2015 agenda provided a not-to-miss opportunity to take part in global debates and conversations on how enterprises such as Nestlé can best align their ambitions to make the SDGs a reality. This process also stressed the importance of consolidating LEAD as the private sector gateway into the UN system for business to contribute to the achievement of the SDGs and of positioning sustainability and long-term thinking as an investment driver for mainstream investors.

In addition, we actively participated and contributed to the post-2015 agenda through these various platforms:

- As part of the Swiss contribution to the post-2015 agenda, we helped elaborate the Swiss position;
- Participated in a Human Rights and Labour Working Group conference where we discussed 'How to Make Decent Work a Key Driver for Development' in the post-2015 era;
- Presented the linkages between CSV and the SDGs during a high-level roundtable discussion among business, government, civil society and UN leaders, focused on SDG implementation during the UN Private Sector Forum (26 September 2015);
- Took part in a series of interactive dialogues at the UN Summit on Post-2015 (25–27 September 2015) to address how to deliver on a revitalised global partnership; and
- Made a call for coordinated action by governments, companies and non-governmental organisations (NGOs) to address climate change and safeguard water resources at the Global Compact +15: Business as a Force for Good event in New York, USA.

Please see below for a more detailed account of our activities with individual initiatives.

## UNGC LEAD: Task Force on UN-Business Partnerships

Nestlé is active in the LEAD Task Force on UN-Business Partnerships, which seeks to strengthen the UN system to engage business to address global developmental challenges, by enhancing existing partnerships between the UN and the private sector, and building new ones. In 2015, the initiative published a handbook describing the best practices of private sector engagement with the UN system.

## UNGC LEAD: realising long-term value for companies and investors

This project aims to improve the ability of businesses to analyse how sustainable strategies translate to financial value, and to communicate these results more effectively. As part of the working group, we are continuing our contributions to the work streams on Building Sustainable Capital Markets and Shaping the Future of Corporate Reporting, and support the Sustainable Stock Exchanges Initiative.

### Sustainable Stock Exchanges Initiative:

This initiative aims at exploring how exchanges can work together with investors, regulators and companies to enhance corporate transparency, and ultimately performance, on ESG (Environmental, Social and Governance) issues and encourage responsible long-term approaches to investment. The SSEI is also supported by the United Nations Conference on Trade and Development (UNCTAD), the Principles for Responsible Investment (PRI) and the United Nations Environment Programme (UNEP) Finance Initiative. As part of our commitment to position sustainability as a driving investment factor for mainstream investors, we contributed to the publication of [Model Guidance on Reporting ESG Information to Investors](#) in September 2015.

### UNGC LEAD: roadmap for integrated sustainability

This initiative is seeking to produce a practical roadmap for integrating sustainability strategies and practices across business functions. A work plan with several regional consultations was drafted and discussed during the 2015 LEAD Symposium. LEAD participants (including ourselves) have been asked to identify and prioritise business functions, as well as to share experiences and our own effective approaches, to assist with its development.

### UNGC CEO Water Mandate

Launched in 2007, the UNGC's CEO Water Mandate is a unique public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. It covers six elements: direct operations; supply chain and watershed management; collective action; public policy; community engagement; and transparency. Nestlé, as a founding signatory, has participated in the mandate's annual meetings since their onset. This year, the meetings took place during the 2015 World Water Week in Stockholm, Sweden. Also in 2015, we supported the preparation, review and publication of the mandate's guidance on the human right to water and sanitation due diligence published early in the year. We have also been elected as a member of the steering board. As part of the mandate's local activities, Nestlé sponsored a project with the local CEO Water Mandate group in California, supported by the California Water Action Collaborative. This initiative has been set with the aim of helping advance California's Water Action Plan and promote collective actions in watersheds Nestlé depends on.

### UNGC Food and Agriculture Business Principles

In March 2015, the UNGC and the International Trade Centre (ITC) announced that it will work together, leveraging the ITC's Standards Map tool and Trade for Sustainable Development (T4SD) platform to disseminate the UNGC Food and Agriculture Business (FAB) Principles among small farmers and small and medium-sized enterprises (SMEs) in the agribusinesses sector.

### UNGC Human Rights and Labour Working Group

The UNGC Human Rights and Labour Working Group is a multi-stakeholder group that aims to advance the UN's values and responsible business practices within the UN system and the global business community. As a member of this working group, we actively contribute to the development of guidance materials for business on how to respect and support human rights. In 2015, we made inputs to a guidance note on Integrating Human Rights into Crisis Planning. During the group's annual meeting in June 2015, we addressed the importance of complying with labour standards and respecting human rights as a pivotal step in addressing the development challenges of the post-2015 era. Moreover, we participated at the 4<sup>th</sup> annual UN Forum on Business and Human Rights as part of our engagement in multi-stakeholder dialogues on this important issue.

### UNGC Anti-Corruption Working Group

Nestlé joined the UNGC's Anti-Corruption Working Group and the 'Call to Action: Anti-Corruption and the Global Development Agenda' in 2014, and is represented by our Head of Corporate Compliance. Through the Call to Action companies ask governments to promote anti-corruption measures and implement robust policies for good governance. In 2015, we contributed to a Guidance Practice Note on the linkages between human rights and anti-corruption in compliance systems and participated at the group's 17<sup>th</sup> meeting and at the International Anti-Corruption Conference on 'The role of whistleblowers in the fight against corruption' that took place in December 2015. Within our company and as part of the International Anti-Corruption Day, we communicated to our employees all around the world our commitment to full compliance, a strong work ethic, integrity and honesty.

### Business for the Rule of Law Steering Group and Working Group

The launch of this initiative, which coincided with the UNGC's 15<sup>th</sup> anniversary, is part of a new effort to engage the business community and legal profession in advancing the rule of law, good governance and corporate sustainability, serving as a complement to government action. We contributed to the initiative's two recently launched resources: a 'Guide for General Counsel on Corporate Sustainability', a document containing practical examples on how to engage lawyers more fully in corporate sustainability; and 'Business for the Rule of Law (B4ROL)', which highlights the mutually reinforcing relationship between advancing the rule of law and sustainable development.

## Caring for Climate

This year was particularly important for this joint initiative between the UNGC, the secretariat of the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#) and [UNEP](#). Caring for Climate, which helps companies to implement and recommend climate change solutions and policies, held a series of high-profile events and showcased business commitment to furthering climate change action.

In 2015, Nestlé CEO Paul Bulcke spoke at the Global Compact +15: Business as a Force for Good event in New York on '[Climate Action and the Environment](#)', where he called for coordinated action by governments, companies and NGOs to address climate change and safeguard water resources. During this historic plenary session in the UN General Assembly Hall, business, government and civil society gathered to celebrate the 15<sup>th</sup> anniversary of the UNGC and launch the report 'Impact: Transforming Business, Changing the World'. On that occasion, the UNGC was recognised for having had a profound impact in driving corporate sustainability. As part of the Global Compact +15 agenda, we also took part in the Corporate Climate Leaders meeting in which Nestlé, along with other members of the Carbon Pricing Leadership Coalition, assessed the business case for carbon pricing and the opportunities in implementing the Business Leadership Criteria on Carbon Pricing, which is based on pricing, advocacy and communication. In the run up to COP 21 in Paris, we submitted a case study for a report on Corporate Adaptation Case Studies, showcasing our work with coffee farmers in Colombia and Guatemala to increase community resilience and adaptation capacities in case of extreme weather events. We also joined a coalition of CEOs from 78 companies around the world that made an open pledge to world leaders urging concrete climate action.

## Women's Empowerment Principles

In 2013, we signed up to the Women's Empowerment Principles, a set of seven steps for businesses to advance gender equality and empower women to participate fully in economic life in the workplace, marketplace and the community. The principles are a partnership initiative between the UNGC and [UN Women](#). In 2015, Nestlé trained over 100 000 women in Asia and Africa on fundamental business and entrepreneurial skills. In the farming communities, Nestlé empowered 12 715 women with technical assistance, such as best practices in dairy farming and food safety, and provided cocoa and coffee farmers with high-yield and disease-resistant plantlets.

Following the publication of the [Fair Labor Association's](#) assessment of our cocoa supply chain in Côte d'Ivoire in July 2014, we began strengthening our efforts to promote and support the role that women play in our cocoa supply chain through the [Nestlé Cocoa Plan](#) and the [Rural Development Framework](#). In January 2015, Nestlé published a progress report on actions taken since August 2014 and outlined our planned work on three main pillars: promoting equal opportunities, giving women a voice and helping to increase women's income.

## UNGC local networks

Nestlé engages at the country level with the local networks the UNGC has established around the world. This allows us to carry out activities based on local priorities and needs. In 2015, 20 of our markets were active members or collaborated with specific working groups. Moreover, in China, Philippines and the UK & Ireland, Nestlé is participating as a board member of these local networks. In China, we have promoted the concept of CSV among the network's members. In Ghana, Nestlé has provided expertise and assistance to the network's meetings and conferences on sustainability and a series of initiatives showcased as local best practices. In its third edition of the Growing Inclusive Markets series, the local network in Indonesia mentioned Nestlé's activities in the coffee sector as one of the best examples of inclusive business in the country. The book, also detailing how the company delivers tangible social impacts and creates value for society, will be distributed to key stakeholders in 2016. In Brazil, we are engaged with working groups addressing SDGs, water and sanitation and women's empowerment. Moreover, we featured in 'A study on the best case practice by businesses on Climate Change Adaptation and Mitigation', which was released in Kenya. We also partook in activities undertaken by different working streams, including those on leadership awareness, sustainability reporting, communication on progress and anti-corruption. Nestlé UK & Ireland is currently participating in the working group on the Modern Slavery Act. Nestlé Italy remains an active member of its local UNGC network's Supply Chain Working Group. Nestlé S.A. is a board and programme committee member of the Swiss network. In 2015, we were actively involved in the relaunch of the network in partnership with the Swiss Development Agency and worked towards presenting a view from business for business on the SDGs. We also shared our experience with other network members on how to handle the UNGC Communication on Progress and other CSR reporting schemes.



# Nutrition, health and wellness

As the leading nutrition, health and wellness company, we enhance lives with science-based nutrition and health solutions for all stages of life, helping consumers care for themselves and their families. By exploring science-based nutrition solutions, we seek to help people live healthier lives by consuming foods and beverages they can trust. This chapter is a summary of our work to bring 'Good Food, Good Life' to consumers around the world.



**CHF 1.7 billion**  
Investment in research and development.



**99%**  
Children's products meeting Nestlé Nutritional Foundation criteria.



**40**  
Countries in which our breast-milk substitute marketing practices were audited internally.



**20 million**  
Mothers and caregivers reached through Nestlé Start *Healthy Stay Healthy*.



## In this chapter

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- 83 **Responsible marketing**

## Our role in nutrition, health and wellness

With more than 1 billion servings sold each day, Nestlé is the world's largest food company. Our portfolio, the widest in the food industry, offers everything from Popularly Positioned Products (PPPs) for consumers on low incomes to premium products and services for those who want an indulgent moment of pleasure. We help people live more enjoyable, healthier lives, leveraging 150 years of expertise to bring them foods, beverages and services they can trust.

This chapter is an overview of how we make this strategy a daily reality.

### The year in brief

#### Challenges

The food industry must work together with governments and health authorities to tackle the **double burden of over- and undernutrition**, and the non-communicable diseases that are generated as a result.

Overweight and obesity can be caused by environmental factors that are hard to control, but the best methods of preventing these diseases are **active lifestyles and better nutrition**. In many parts of the world, children lack nutrition education.

Determining what and how much individuals should eat can be confusing. We have a responsibility to promote our foods and beverages truthfully and reliably, enabling **consumers to make better-informed decisions** about their own nutrition.

Good nutrition should play a role in the lives of individuals from conception onwards. It is important that families get the **missing foods and nutrition** they lack in their diet, and in a way families can trust and rely on.

#### Actions

We conduct research to see how our portfolio can positively contribute to **addressing micronutrient deficiencies**. Our Policy on Micronutrient Fortification of Foods & Beverages was revised in 2015 to further strengthen our commitment.

We continuously improve the nutritional benefits of our foods and beverages, developing their **health benefits through reformulation**, while simultaneously driving enjoyment through taste. We also have a clear focus on **implementing nutrition education** over the full course of a life.

We are committed to transparency about the content of our foods and beverages. We help by **providing clear information** about ingredients, nutritional benefits, health information and portion size on all packaging.

We want our children's brands to be **responsibly communicated** to parents and children, providing a source of enjoyment from foods and beverages they can trust.

#### Achievements

**192 billion**

Micronutrient-fortified servings of foods and beverages delivered annually.

**84**

Countries in which Healthy Kids Programmes have been activated to promote healthy diets and lifestyles, including physical activity among school-age children.

**89.2%**

Relevant products with front-of-pack GDA-based labels.

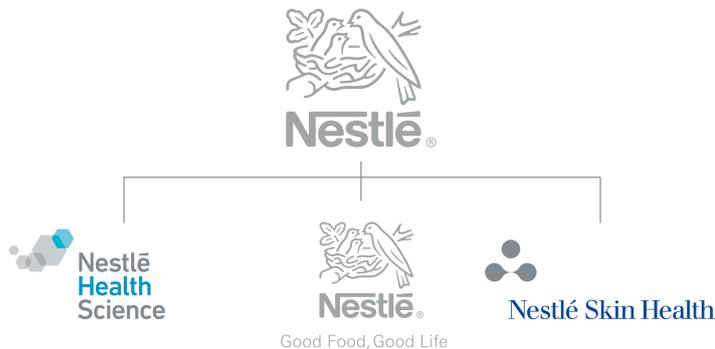
**Policy on Marketing Communication to Children** strengthened and relaunched.

## Our strategy

In today's world, achieving nutritional balance remains a growing global challenge. On the one hand, more than 1.9 billion adults are overweight, with upwards of 600 million people now obese; conversely, a lack of access to the right nutrition means that one in six children in developing countries are underweight. This double burden of over- and undernutrition, and the non-communicable diseases (NCDs) that are generated as a result, must be tackled together by governments, public health authorities and industry to improve nutrition worldwide through collective action.

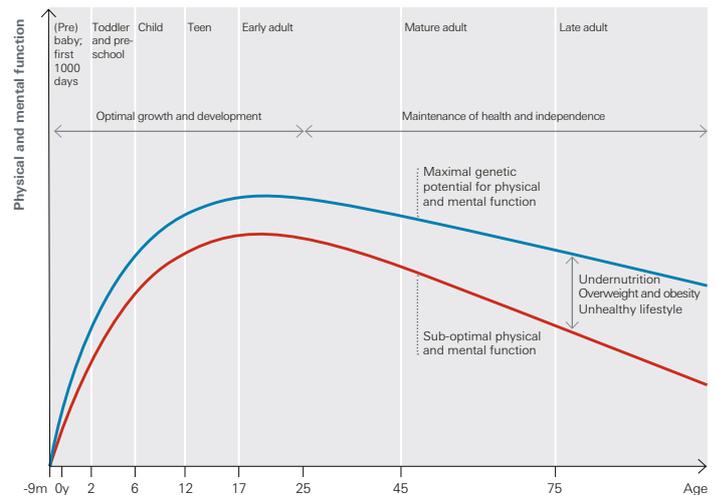
Our strategic ambition is trusted leadership in nutrition, health and wellness. Our aim is to help our consumers reach and maintain optimal nutrition, hydration and health throughout their lives. Industry-leading research and development (R&D) drives innovation and supports the constant renovation of our food and beverage portfolio. Our researchers are also exploring the role of nutritional therapies to maintain and improve health and investigating how we can help people take care of their bodies, including their skin. By sharing our insights on global nutrition, health and wellness challenges, by building partnerships and by engaging with policy-makers, stakeholders and key opinion leaders, we strive to have a positive impact on the societies where we operate.

### Our Nutrition, Health and Wellness strategy



In recent years we have reinforced and expanded our Nutrition, Health and Wellness strategy with the creation of Nestlé Health Science and Nestlé Skin Health. Nestlé Health Science is advancing the role of nutritional therapy to change the course of health for consumers, patients and for our partners in healthcare. With Nestlé Skin Health we are entering the field of specialised medical skin treatment by offering science-based solutions for the health of skin, hair and nails over the course of people's lives.

Our approach to supporting health throughout life is shaped by the concept of healthy ageing, first described by Kalache and Kickbusch ('A global strategy for healthy ageing,' World Health, 1997) and outlined in the graph (top right). Healthy ageing determines two trajectories, illustrated by the lines in the graph: the trajectory of achieving maximal potential for physical and mental function (the blue line); and the lower trajectory of a less healthy lifestyle (the red line). We aim to help people move towards the blue line throughout their lives.

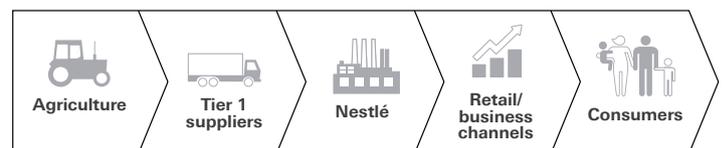


## Material issues

Nestlé uses a formal [materiality process](#) to identify the most important issues for our stakeholders and our business. The results are communicated in a [materiality matrix](#).

Our material issues are also considered and mapped with regard to their degree of importance in different parts of the Nestlé value chain. In the value chain, 'Agriculture' includes smallholder farmers with whom we do not have direct relationships and 'Tier 1 suppliers' refers to those suppliers in direct commercial relationships with Nestlé.

## The Nestlé value chain



Each material issue is made up of a number of sub-issues, which are highlighted during the research process. They are used as a lens to help define the scope of analysis. In this section, we have provided a synthesis of the findings related to nutrition, health and wellness.

Four material issues – and a number of specific sub-issues – fall under the banner of nutrition, health and wellness that are rated as being of concern to our stakeholders and of strategic importance to our business. These include findings associated with **over- and undernutrition; maternal, infant and young child nutrition; responsible marketing; and food and nutrition security.**

Our stakeholders are acutely concerned that we deliver the nutrition solutions needed to help resolve chronic nutrition-related disease and health issues, and that we apply the highest standards in the marketing of our foods and beverages and when educating consumers on food and nutrition. As the world's largest food and beverage company, our stakeholders expect us to play a role in food and nutrition security.

MATERIALITY ISSUE	VALUE CHAIN				
	KEY:  Moderate  Significant  Major				
	 Agriculture	 Tier 1 suppliers	 Nestlé	 Retail/ business channels	 Consumers
<b>Overnutrition and undernutrition</b>					
Supporting optimal nutrition, health and wellness through the life course. Helping to address overnutrition, undernutrition, related micronutrient deficiencies, conditions such as overweight and obesity, and non-communicable or non-contagious diseases (NCDs) through portfolio transformation, product and service development and renovation, and popularly positioned products.					
<p><b>Sub-issues defined</b></p> <ul style="list-style-type: none"> <li>• <b>Micronutrient deficiencies:</b> reducing the risk and incidence of the condition that results from eating a diet in which certain nutrients are lacking, in excess (too high in intake) or in the wrong proportions. Reducing the risk and incidence of the condition that results from a diet in which certain micronutrients are lacking (e.g. zinc, iron, vitamin A, iodine).</li> <li>• <b>NCDs:</b> reducing the risk and incidence of non-communicable, chronic diseases – including cardiovascular diseases, diabetes, cancer and chronic respiratory diseases.</li> <li>• <b>Obesity:</b> reducing the risk and incidence of the condition of abnormal or excessive fat accumulation that impairs health with a body mass index greater than or equal to 30.</li> <li>• <b>Overweight:</b> reducing the risk and incidence of the condition of abnormal or excessive fat accumulation that impairs health with a body mass index of 25–30.</li> <li>• <b>Stunting:</b> reducing the risk and incidence of the condition of having inadequate nutrition that prevents children from growing or developing properly, including physically and mentally.</li> <li>• <b>Underweight:</b> reducing the risk and incidence of the condition of weighing less than is considered healthy for one’s age, height and build.</li> </ul>					
<b>Food and nutrition security</b>					
Contributing to the availability of and affordable access to sufficient, safe, nutritious food.					
<b>Maternal, infant and young children nutrition</b>					
Improving the nutrition of mothers, infants, and children for better health and wellbeing outcomes.					

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/ business channels	Consumers
<b>Responsible marketing</b> Marketing in ways that are appropriate to consumer audiences and shaping consumer behaviour to promote better health and environmental outcomes.					
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Environmental literacy and communication:</b> informing, educating and engaging consumers on the environmental impact of products.</li> <li>• <b>Infant formula marketing:</b> promoting and selling infant food products in a responsible way, particularly to vulnerable groups.</li> <li>• <b>Nutritional literacy and communication:</b> informing, educating and engaging consumers to make the healthiest choices possible.</li> <li>• <b>Product labelling:</b> disclosing nutritional and other relevant product information (e.g. GMOs) through product labels.</li> <li>• <b>Responsible marketing to children:</b> engaging consumers and promoting products in a responsible way, particularly to children.</li> </ul>	●	●	●	●	●

## Our commitments

Our commitments relate directly to our material issues. They help drive continuous improvement and allow stakeholders to hold Nestlé accountable for delivering on its promises. We have set a series of objectives to enable us to achieve our commitments, some of which have been updated from last year to provide greater clarity and transparency. We will detail our progress on meeting these objectives in the following pages.

- [Build knowledge leadership in children’s nutrition;](#)
- [Lead the industry in nutrition and health research through collaboration;](#)
- [Provide nutritionally sound products designed for children;](#)
- [Help reduce the risk of undernutrition through micronutrient fortification;](#)
- [Reduce sodium \(salt\) in our products;](#)
- [Reduce sugars in our products;](#)
- [Reduce saturated fats and remove trans fats in our products;](#)
- [Encourage consumption of whole grains and vegetables;](#)
- [Deliver nutrition information and advice on all our labels;](#)
- [Provide portion guidance for consumers;](#)
- [Promote healthy diets and lifestyles, including physical activity;](#)
- [Promote healthy hydration as part of a healthy lifestyle;](#)
- [Provide education programmes for good nutrition and feeding practices;](#)
- [Ensure responsible marketing communication to children;](#) and
- [Market breast-milk substitutes responsibly.](#)

Our progress against the commitment objectives is indicated throughout the chapter using the following icons:

- Achieved
- ◐ In progress
- ◑ Not yet achieved
- ⊕ New objective

## Governance and management systems

Nestlé has a robust governance structure in place to monitor, measure and manage our nutrition, health and wellness performance. It includes the following parts of our organisation:

- **Innovation, technology and R&D**  
We have the strongest R&D network in the food industry with 4800 scientists and researchers working across the world, including:
  - [40 R&D Centres;](#)
  - [The Nestlé Research Center \(NRC\),](#) which directs Nestlé’s nutrition, health and wellness activities through scientific investigation and the Clinical Development Unit (CDU) ;
  - [The Nestlé Institute of Health Sciences \(NIHS\),](#) which investigates how nutrition can be used to guide people in improving and maintaining their health.
- **Nestlé Skin Health**  
[Nestlé Skin Health,](#) our new business unit, seeks to enhance the quality of life by delivering science-based solutions for the health of skin, hair and nails over the course of people’s lives.
- **Nestlé Health Science (NHSc)**  
[NHSc](#) advances the role of nutritional therapy to change the course of health for consumers, patients and our partners in healthcare.

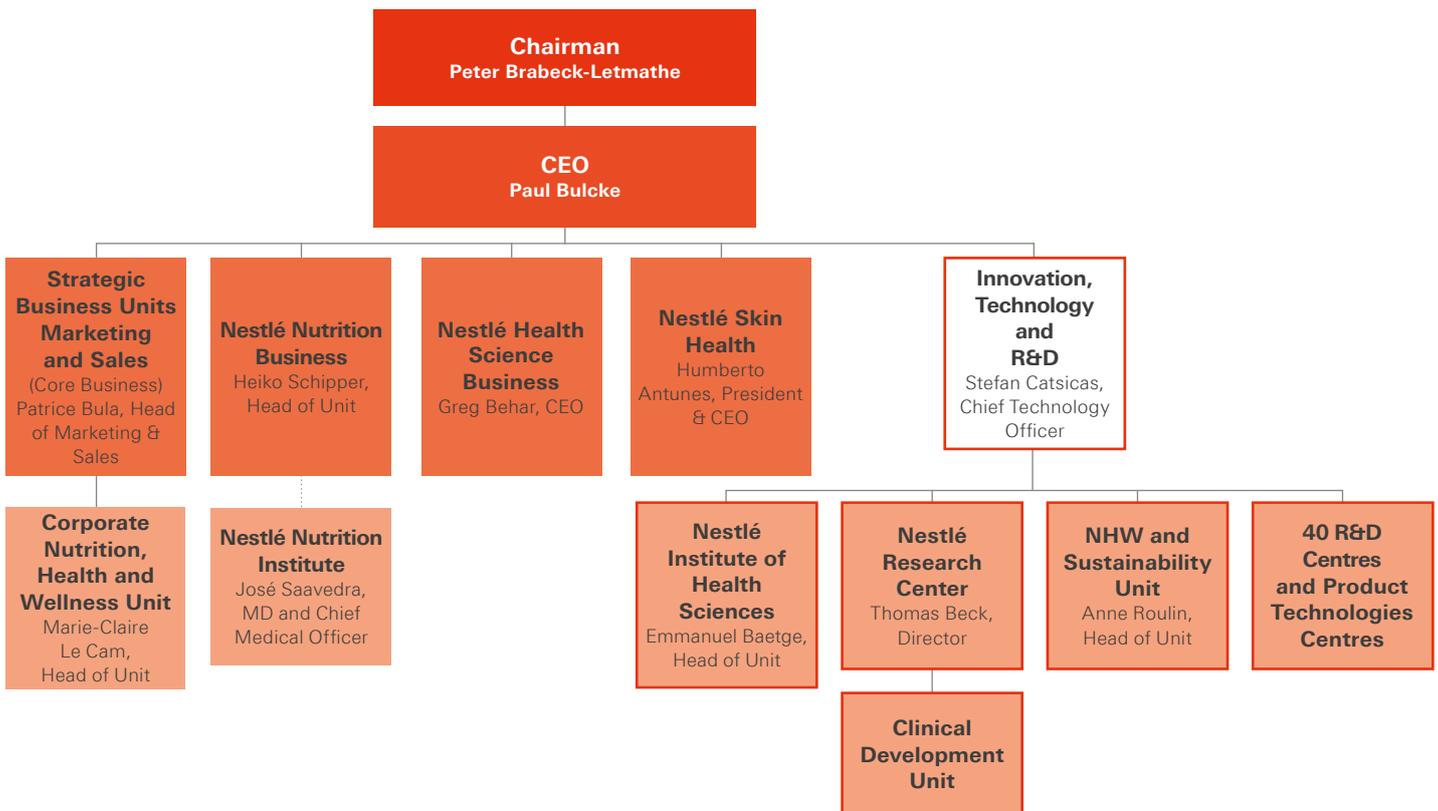
• **Nestlé Nutrition**

Our nutrition business is dedicated to providing high-quality, innovative, science-based nutrition for mothers and infants, and helping nurture healthier generations by establishing good eating habits early. The business also provides support and education to health professionals, scientists and nutrition communities and stakeholders through the [Nestlé Nutrition Institute \(NNI\)](#).

• **Marketing and Sales Sub-Business Unit**

**Corporate Nutrition, Health and Wellness**, which is responsible for driving nutrition, health and wellness across the business. The unit is also guardian of the 60/40+ approach which allows us to [deliver tastier and healthier products](#). Through our Wellness Champions, located in each business unit and country, the unit facilitates, inspires, motivates and drives our health and wellness ambition.

**Internal nutrition organisation at Nestlé**



**Policy monitoring and stakeholder engagement led by Public Affairs** Janet Voûte, Head of Global Public Affairs

**Our policies and standards**

All employees comply with the [Nestlé Corporate Business Principles](#). In the principles, we outline our aim ‘to enhance the quality of consumers’ lives every day, everywhere, by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle’. We embrace our ambition by [training our employees](#) in the principles.

We make our policy and principles documents available to everyone through the company website. They are regularly revised in line with international or national regulations and guidelines on the reduction of public health sensitive nutrients, as well as the World Health Organization’s (WHO’s) International Code of Marketing of Breast-milk Substitutes. Our policy and principles documents are:

- The [Nestlé Policy on Sugars](#);
- The [Nestlé Policy on Sodium \(Salt\)](#);

- The [Nestlé Policy on Saturated Fat](#);
- The [Nestlé Policy on Trans Fat](#);
- The [Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes](#);
- The [Nestlé Marketing Communication to Children Policy](#); and
- The [Nestlé Policy on Micronutrient Fortification of Foods & Beverages](#).

In 2015, we updated our policy on micronutrient fortification and made it public for the first time.

**Read more** on [micronutrient fortification](#).

## Industry leadership

Our nutrition performance is independently audited and verified annually. We participate voluntarily in a number of third-party reporting initiatives, where the results and feedback are made public.

Organisation	2015 progress
<a href="#">FTSE4Good Index</a>	Since 2011, we have remained the first and only breast-milk substitute manufacturer to be included in the FTSE4Good Index. Nestlé is the only company to restrict the marketing of infant formula and follow-on formula up to 12 months of age in 152 higher-risk countries.
<a href="#">Access to Nutrition Index (ATNI)<sup>TM</sup></a>	Nestlé ranked 2 <sup>nd</sup> in the 2015 assessment of the Global Access to Nutrition Index (published in January 2016), which benchmarks the world's largest food and beverage manufacturers on their nutrition-related commitments, practices and performance. Nestlé ranked 1 <sup>st</sup> in the subcategories of breast-milk marketing practices, general nutrition and under-nutrition.
<a href="#">Dow Jones Sustainability Index (DJSI)</a>	The DJSI, which evaluates the sustainability performance of the largest 2500 companies listed on the Dow Jones Total Stock Market Index, gave Nestlé an industry-best score of 100/100 for Health and Nutrition Performance (the industry average is 48/100) and ranked the company with an overall score of 89/90.

## Multi-stakeholder engagement and leadership

Addressing nutrition and health challenges is complex and requires the collaboration of many stakeholders. We believe that participating in, and leading, industry collective efforts can help raise standards, making the food and beverage industry more efficient and successful in an effort to improve public health.

Our [stakeholder convenings](#) in March and December 2015 focused on reducing obesity and non-communicable diseases (NCDs), among other issues. The work group comprised of topical experts and focused on work to support healthy diets and lifestyles, and identified how to advance responsible advertising and promote practices to tackle NCDs.

Organisation	Our activities this year
<a href="#">EU Platform for Action on Diet, Physical Activity and Health</a>	<p>Nestlé contributes five commitments to the EU Platform for Action on Diet, Physical Activity and Health, covering:</p> <ul style="list-style-type: none"> <li>• Reformulation of Nestlé products;</li> <li>• The Nestlé Healthy Kids Global Programme;</li> <li>• <a href="#">Portion guidance</a> on all children's and family products;</li> <li>• A consumer-facing education programme in Spain; and</li> <li>• The Workplace Wellness programme at Nestlé's headquarters.</li> </ul>
<a href="#">International Food &amp; Beverage Alliance (IFBA)</a>	<p>In early 2015, the <a href="#">IFBA Progress Report</a> was sent to WHO Director-General Dr Margaret Chan. This is a follow-up to the commitments made in 2014 by the CEOs of leading food and non-alcoholic beverage companies and members of the IFBA (including Nestlé). These enhanced global commitments guide their companies' health and wellness strategies over the next five years:</p> <ul style="list-style-type: none"> <li>• Reformulate foods and beverages and develop new products that support the goals of improving diets;</li> <li>• Provide clear and fact-based nutrition information to all consumers;</li> <li>• Extend responsible advertising initiatives and marketing to children globally; and</li> <li>• Raise awareness on balanced diets and increased levels of physical activity.</li> </ul> <p>As a member and co-chair of the IFBA, we comply with its Global Policy on Advertising and Marketing Communications to Children. We have also signed voluntary pledges on the marketing of foods to children covering more than 50 countries. For more information on this, please see the <a href="#">IFBA section</a>.</p>

Organisation	Our activities this year
<a href="#">The Consumer Goods Forum (CGF)</a>	<p>The CGF brings together the CEOs and senior management of more than 400 retailers, manufacturers, service providers and other stakeholders across 70 countries, with combined sales in excess of CHF 3.01 trillion.</p> <p>In 2015, the CGF board of directors (which includes Nestlé CEO Paul Bulcke as the manufacturers' co-sponsor of the health and wellness pillar) voted on the following:</p> <ul style="list-style-type: none"> <li>• Appointment of a Health &amp; Wellness External Scientific Advisory Council;</li> <li>• Resolution on <b>food waste</b> to contribute to the UN goal to halve food waste by 2025 within member retail and manufacturing operations. The board also pledged to reduce food losses throughout production and supply chains and to maximise the value of any remaining waste;</li> <li>• Resolution on <b>social sustainability/human rights</b>: the board recognised its role as a group of responsible businesses to respect and promote human rights and decent working conditions. It pledged to harness its collective power as an industry group to identify and address issues and geographies of shared concern, where specific action plans will be developed to support the eradication of forced labour; and</li> <li>• Commitment on <b>marketing to children</b>: the board reinforced its pledge to stop targeted marketing to children under 12 for products that do not fulfil specific nutrition criteria based on scientific evidence and/or applicable national and international dietary guidelines.</li> </ul>
<a href="#">Salt Smart Americas initiative</a>	<p>Nestlé's support for the Salt-Smart Americas initiative started in 2012 with the common objective to help people decrease their dietary salt intake to a maximum of 5 g a day by 2020. Within the initiative, Nestlé contributes its expertise to help create an effective salt reduction approach combining aggressive targets and a relevant consumer awareness strategy.</p> <p>As a signatory of the Pan American Health Organization's and the World Economic Forum's 2011 statement on Dietary Sodium/Salt Reduction in the Americas, Nestlé supports the good work on salt reduction led by the Salt Smart Consortium.</p>
<a href="#">World Economic Forum (WEF)</a>	<p>Nestlé Chairman Peter Brabeck-Letmathe is the vice-chairman of the WEF's Foundation Board and a trustee of organisation's Global Challenge Initiative on Environment and Natural Resource Security. While our CEO, Paul Bulcke, is a trustee of the Global Challenge Initiative on Food Security and Agriculture, as well as a member of the steering board of the Future of 'Healthy' initiative, which aims to highlight the value of, and establish the investment case for, healthy populations, and 'transform investment models for the eco-system of healthy'.</p>
<a href="#">United Nations 10-Year Framework Programme on Sustainable Food Systems</a>	<p>Nestlé is a key member of the Multi-Stakeholder Advisory Committee from the private sector. We are specifically involved in the workstreams to strengthen collaboration among food system stakeholders to increase the sector's sustainable production and consumption (SPC) performance, and to increase the access and application of actionable knowledge, information and tools to mainstream SPC in food systems.</p>

# Our research and development

As the leading Nutrition, Health and Wellness company, we have a responsibility to use our nutrition knowledge and research to make a positive contribution to society. Nestlé has built the world's largest private nutrition research network, which works with leading academic institutions to share understanding, improve our foods and beverages, and push our company and industry to address key public health and nutrition challenges. By learning about how, what and when people eat and drink throughout their lives, we can produce foods and beverages that can help consumers make better, more informed and healthier choices. We seek to support public health by investing in both individual- and population-based scientific research, which allows us to help develop measurable strategies and meaningful initiatives to address local nutrition gaps.

## Researching nutrition's impact on health and wellness

Balanced nutrient consumption is critical for daily bodily functions. However, determining what and how much individuals should be eating each day can be confusing. Our aim is to help people make better-informed, science-based lifestyle choices. For example, we're currently conducting research into the interaction between diet, lifestyle, inherited genetic factors and individual metabolism. The research we conduct among certain groups – including the elderly, mothers, infants and young children – and in specific countries, can shape our innovation work and inform our food and beverage portfolio and related services.

Our research also aims to go beyond improving our food and beverage portfolio. We seek to help the wider public health community by investigating specific disorders and illnesses, such as metabolic health and micronutrient deficiencies. We are able to do this through a robust, global network that includes research partnerships with leading academic and scientific bodies.

Our findings, which are independently assessed and reviewed, are shared publicly. Nestlé's long-term commitment to innovation has resulted in partnerships with leading scientific organisations that are looking into disease progression across the stages of life.

We believe we can advance faster and further through scientific collaboration, with results that can ultimately improve public health.

## Our R&D network

As the largest private R&D network in the industry, we employ more than 4800 people. The work of our global network is shaped by our science and research centres: the NRC, the CDU, and the NIHS. These focal points are supplemented by 40 Product Technology and R&D Centres across the world.

In 2015, Nestlé invested approximately CHF 1.7 billion in R&D, predominantly for food and beverage businesses, and filed 292 patents.

### Processing for improved nutrition and consumer value

The common misconception of processed and frozen food is that it is always high in sodium, sugar, fats and calories, and therefore a less nutritious option. At Nestlé, we believe that processed foods and beverages can be a nutritious and convenient option. We know processing thoughtfully and responsibly can yield a number of benefits, including improved nutrition, food safety and food accessibility. This belief led us to open our new US R&D Centre in Solon, Ohio, in July 2015.

The primary focus of the new facility will be to develop Nestlé's R&D strategy for the worldwide frozen and chilled foods business. Furthermore, the experts at Nestlé R&D Solon will innovate and renovate products that meet the [Nestlé Nutritional Profiling System \(NNPS\)](#) criteria requirements and balance taste with nutrition. The team will also provide expert technical assistance to Nestlé production facilities around the world, particularly in the important areas of nutrition, food processing, food quality and food safety.



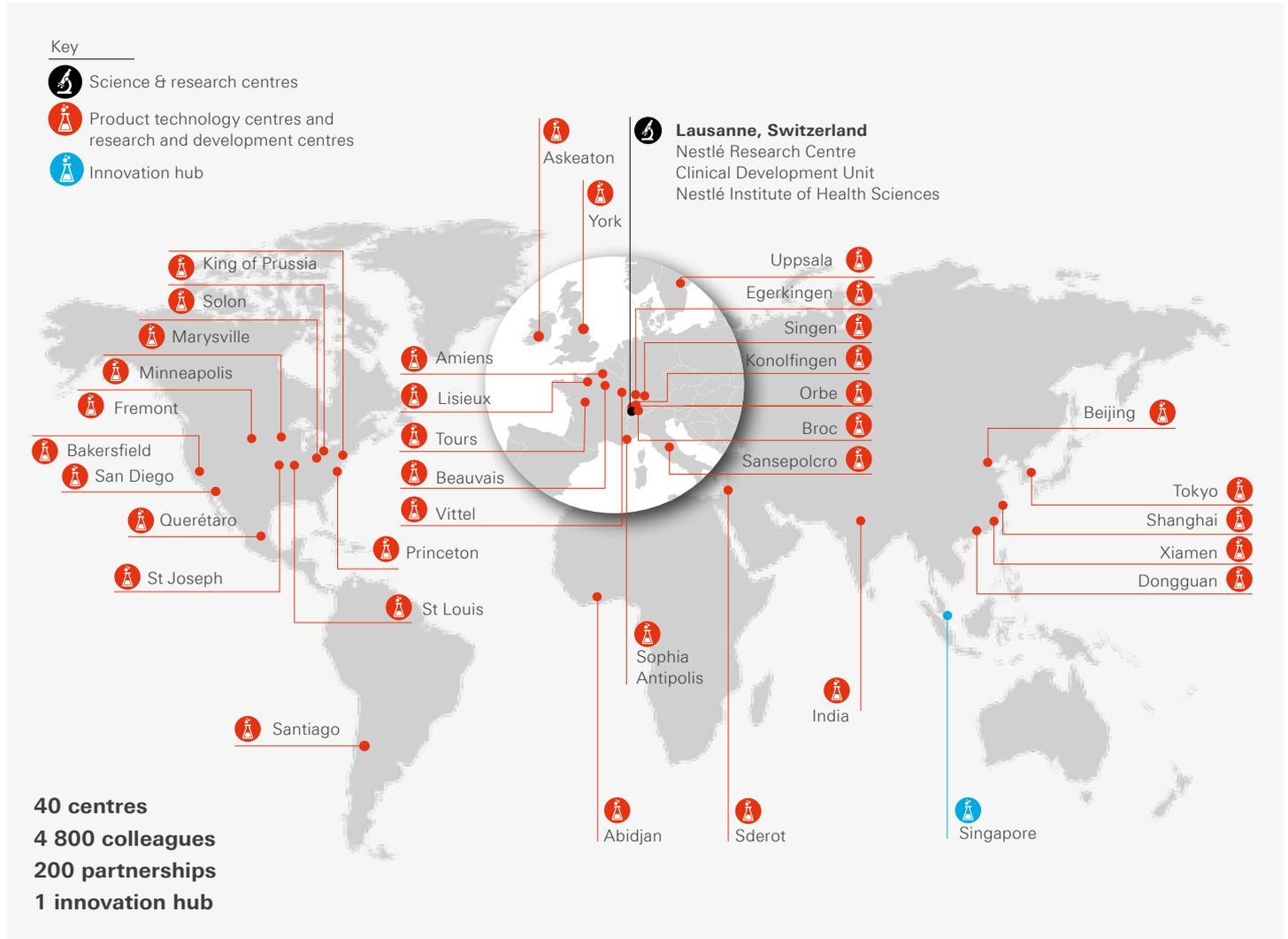
We're still focused on offering good food that provides added health benefits, fulfils the highest safety standards and offers nutritional advantages. Food also must look and taste good, and offer convenience to consumers. Our Nestlé R&D Solon team will help to improve every aspect of the frozen and chilled foods we market with this vision in mind."

**Johannes Baensch, Head of Global Product & Technology Development, Nestec Ltd**



Find out [more](#) about the new centre.

## Our R&D network



## Key activities and research themes in 2015

### Our commitment



**Lead the industry in nutrition and health research through collaboration**

Through our research network, we're working to discover applicable, science-based nutritional solutions that can reduce and manage diseases, or improve care for the elderly, in the years ahead. By exploring the potential to merge nutrition and pharmaceutical sciences, Nestlé is in a strong position to develop innovative, personalised and effective therapeutic approaches.

### Our objective

- By 2016 – Further develop and integrate the molecular nutrition capabilities and clinical strategies of the Nestlé Institute of Health Sciences (NIHS) and the Nestlé Clinical Development Unit (CDU) to help improve the management of diseases.

Our R&D units	Role (and research themes)	2015 collaborations (internal and external)	Consumer benefits
<b>Nestlé Research Center (NRC)</b>	Drives science and technology, from basic nutrition and health research to applied research for product development and application.	<ul style="list-style-type: none"> <li>• Collaboration with the EpiGen Global Research Consortium (EpiGen) to study the impact of maternal nutrition on maternal and infant health.</li> <li>• Collaboration with Soochow University, Suzhou, China, to conduct a meta-analysis to determine whether probiotic fermented milk has an effect on blood pressure.</li> <li>• Council of Scientific and Industrial Research and the Agricultural Research Council in South Africa on green leafy vegetables.</li> <li>• The Feeding Infants and Toddlers Study (FITS) and Kids Nutrition and Health Study (KNHS) are executed in collaboration with the following research partners: University of North Carolina and RTI International in North Carolina, USA; Chinese Centre for Disease Control and Prevention in Beijing; and the Russian Institute of Nutrition in Moscow.</li> <li>• NRC has worked on health economics studies in collaboration with the Food and Nutrition Research Institute in the Philippines and the Winterthur Institute of Health Economics in Switzerland on micronutrient fortification, and with Bocconi University in Italy and the Peking University in China in relation to gestational diabetes.</li> </ul>	<p>Scientific publications/studies in 2015 include:</p> <ul style="list-style-type: none"> <li>• An article showing the development of gut microbiota in infants is influenced by external factors such as mode of birth and duration of gestation, and is related to body fat levels in later life; and</li> <li>• An article reporting that whole grain intake in pregnant women in Singapore is below the recommended guidelines. A study was launched in Singapore, New Zealand and the UK to assess the <a href="#">impact</a> of nutrients before and during pregnancy on the health of mothers and their babies.</li> <li>• Study published on dairy consumption and the risk of cardiovascular disease.</li> <li>• In September 2015, Nestlé South Africa <a href="#">launched</a> a new line of <i>Maggi</i> instant noodles with morogo, a local spinach that helps increase beta-carotene and vitamin A levels.</li> <li>• FITS and KNHS results <a href="#">published</a> in 2015 indicate that breastfeeding rates in China and Mexico are below recommendations. Many Chinese children have low nutrient intakes, especially in rural areas, and many diets lack variety. In Mexico, young children are more likely to receive sweets than fruits or vegetables.</li> </ul>
<b>Nestlé Clinical Development Unit (CDU)</b>	A central location for Nestlé's clinical development programmes, established to evaluate the impact of our foods on human biology, health, taste and pleasure.	<ul style="list-style-type: none"> <li>• CDU works with the Clinical Data Interchange Standards Consortium (CDISC), in the United States, to drive the development of data standards for clinical research in collaboration with industry partners.</li> <li>• Our research with Medidata aims to develop innovative ways to gather health information that is relevant to our consumers.</li> <li>• Collaboration between CDU and Professor Shein-Chung Chow, Department of Biostatistics and Bioinformatics, Duke University, on adaptive design methods in clinical trials.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase data quality to support nutrition, health and wellness messages and support fast availability of products on the market.</li> <li>• Obtain the highest quality of objective evidence for the health benefits of our products.</li> </ul>

Our R&D units	Role (and research themes)	2015 collaborations (internal and external)	Consumer benefits
<b>Nestlé Institute of Health Sciences (NIHS)</b>	Biomedical research institute specialising in metabolic health, gastrointestinal health, brain health and ageing.	<ul style="list-style-type: none"> <li>Signed research collaboration agreement with leading Swiss biopharmaceutical company AC Immune in September 2015.</li> <li>Began collaborative project with <a href="#">EpiGen</a> to study sarcopenia at a molecular level.</li> </ul>	<ul style="list-style-type: none"> <li>The collaboration aims to develop a sensitive, minimally invasive procedure to map the early stages of <a href="#">Alzheimer's disease</a> by applying antibody technology provided by the NIHS.</li> <li>Research will indicate how innovative nutritional therapies can be applied to <a href="#">sarcopenia sufferers</a>.</li> </ul>

Key businesses	Role (and research themes)	2015 collaborations (internal and external)	Consumer/patient benefits
<b>Nestlé Health Science (NHSc)</b>	A wholly owned Nestlé subsidiary engaged in advancing the role of nutritional therapy to change the course of health for consumers, patients and our partners in healthcare.	<ul style="list-style-type: none"> <li>Agreement signed with Lipid Therapeutics to deliver <a href="#">novel ulcerative colitis therapy</a>.</li> <li>Invested in <a href="#">Seres Therapeutics</a>, to support phase III trials of <a href="#">SER-109</a> for the prevention of recurrent <i>Clostridium difficile</i> infection (CDI). The US Food and Drug Administration (FDA) granted <a href="#">SER-109 orphan drug, as well as a breakthrough therapy designation in 2015</a>.</li> </ul> <p><a href="http://www.serestherapeutics.com">www.serestherapeutics.com</a></p> <p>In January 2016: NHSc and Seres signed licensing agreement (see Seres and/or NHSc website, newsroom).</p>	<ul style="list-style-type: none"> <li>Launched nutritional solutions such as <a href="#">Meritene® Mobilis</a> (in Europe) and <a href="#">Boost®</a> nutritional drinks in compact sizes (in the United States) to meet the special needs of the ageing body.</li> <li>Launched the <a href="#">Compat Ella®</a> feeding pump, which connects to patient data systems to ensure that feeding rates are easily adjusted to patient needs, thereby improving clinical outcomes and reducing care costs.</li> <li>Launched <a href="#">CoMiSS®</a>, an awareness tool to help primary healthcare professionals assess the likelihood of cow's milk protein allergy with 80% effectiveness.</li> </ul>
<b>Nestlé Skin Health</b>	A wholly owned Nestlé subsidiary focusing on meeting the world's increasing skin health needs with a broad range of innovative and scientifically proven products.	<ul style="list-style-type: none"> <li>Announced plans to <a href="#">build new SHIELD centres</a> in Shanghai, China, and São Paulo, Brazil.</li> </ul>	<ul style="list-style-type: none"> <li>This global innovation network aims to foster breakthroughs and collaboration in skin health through medical investigation, education and applications.</li> </ul>
<b>Nestlé Nutrition Institute (NNI)</b>	Shares leading science-based nutrition information and education with healthcare professionals, scientists, and public health communities and stakeholders.	<ul style="list-style-type: none"> <li>In 2015, <a href="#">NNI</a> supported 13 international congresses, holding satellite symposia at 9 of them.</li> </ul>	<ul style="list-style-type: none"> <li>Works with healthcare professionals.</li> </ul>

## Nestlé Institute of Health Sciences (NIHS)

Our dedication to health and wellness is grounded in our investment to advancing science through our own research network. As part of this network, NIHS investigates how nutrition can be used to guide people in improving and maintaining their health.

This group researches how environment, diet and lifestyle are influenced by other factors, such as genetics, gut micro-organisms, metabolism and nutritional status. NIHS's ambition is to improve nutrition and lifestyle to help consumers live healthier lives.

In the five years since NIHS was founded in 2011, 145 scientific manuscripts have been published and applications across 43 patent 'families' have been filed. NIHS has received several research grants to work in collaboration with universities, five of which are ongoing. The Institute has 14 graduate students (PhD and Master) and has nine scientists with Adjunct Professor or Lecturer affiliation from the École Polytechnique Fédérale de Lausanne (EPFL), further strengthening our links and relationships with relevant academic partners.

### NIHS brings nutrition, health and wellness to life in Beijing

Leading experts from around the world came together for an unprecedented meeting focused on human nutrition, environment and health in mid-October 2015 in Beijing, China. The Keystone Symposia® Conference provided a unique platform to explore how a person's genome, nutrition and environment together influence individual health and wellbeing.

The meeting was attended by more than 140 participants of 40 different nationalities – the most ever nationalities to attend a single Keystone Conference. Importantly, it was also the first to focus on nutrition. NIHS took advantage of the symposium to present how its research focuses on quantitative and applicable approaches, thereby addressing and alleviating the distinct challenges of the future of global health and nutrition.

### Lipid research and metabolism

NIHS investigates the molecular mechanisms that underpin how lipids support healthy metabolism and immune systems. Lipids are naturally occurring molecules, including fats and waxes, which play crucial roles in our diet, by maintaining cell structure (phospholipids), storing energy (triglycerides) and signalling (fatty acids), or transmitting messages between proteins and specific cell responses.

The long-term aim of NIHS's research is to apply technology to the development of innovative nutritional solutions that promote a healthy metabolism. NIHS recently partnered with German company Lipotype GmbH to validate and deploy lipid profiling in blood plasma. The successful results of this partnership were published in the *European Journal of Lipid Science and Technology* in October 2015.

### The role of nutrition in Alzheimer's prevention

As our objective states, we seek to further and develop our clinical strategies through nutritional solutions. For example, Dr Gene Bowman, a leading NIHS scientist, is helping pave the way for greater research into the relationship between nutrition, metabolism and dementia. Dr Bowman, head of NIHS's research into cognitive health and ageing, is a founding member of a new Professional Interest Area (PIA) forum within the [International Society to Advance Alzheimer's Research and Treatment](#) (ISTAART).

ISTAART is a professional society for individuals interested in the disease and dementia science, housed within the Alzheimer's Association. The new PIA, announced in July 2015, aims to facilitate more informed decisions on how nutrition influences dementia risk and the coordination of future large-scale research, with the hope of accelerating the development of nutritional therapies.

In September 2015, Nestlé's commitment to brain research and Alzheimer's disease took another step forward with the signing of a research collaboration agreement with AC Immune, a leading Swiss biopharmaceutical company focused on neurodegenerative diseases. The collaboration aims to develop a sensitive, minimally invasive procedure to map the early stages of Alzheimer's disease by applying antibody technology provided by the NIHS.

### Gastrointestinal health and microbiome research

Our digestive systems contain trillions of micro-organisms collectively known as the gut microbiota, or the microbiome. When it functions properly, the microbiome supports nutrient digestion, immune development and many other metabolic activities required for daily life. Imbalances between the gut microbiota and the body can occur in many disease conditions.

As part of our research strategy, Nestlé seeks to develop a better understanding of diet and lifestyle. In this context, the primary role of NIHS's Gastrointestinal Health and Microbiome group is to investigate how the gut microbiota supports the normal functions of the digestive system. It also studies the relationship between our gut and body in relation to various diseases, with the aim of identifying nutritional strategies to maximise our health at all stages of life.

### Personalised nutrition development

Through its Molecular Nutrition group, NIHS analyses the nutritional status of individuals through a combination of state-of-the-art molecular techniques. Launched in 2014, the group aims to quantitatively analyse vitamins, minerals, amino and fatty acids, to understand the unmet nutritional needs of people at every stage of life. The research is expected to support Nestlé's nutrition, health and wellness focus by providing personalised nutritional approaches in future.

The Molecular Nutrition group has already entered into several strategic collaborations, most notably with the US-based [Waters Corporation](#), to help us meet our group commitment.

New analytical developments for vitamin analysis are under way as part of the collaboration with Waters Corporation. The initiative taken by the Molecular Nutrition group opens research avenues to study how an individual's nutritional status is affected by their health and the changes in bodily functions caused by disease or injury (known as physiopathology) that allow for the development of adverse medical conditions. This work is being deployed in clinical studies to identify and quantify unmet nutritional needs at the molecular level. The group also collaborates with the School of Life Sciences at the EPFL in Switzerland. In 2015, this relationship was formalised through a first PhD programme offered through the school's Integrative Food Science and Nutrition Centre and the Molecular Nutrition group.

 [Read more](#) on [our skin health work](#).

### Fighting muscle wasting in the elderly



As life expectancy increases, sarcopenia is becoming ever more prevalent. Although sarcopenia is not generally recognised as a disease by the medical community, it is characterised by the loss of muscle mass and function due to age, often leading to falls and loss of independence in the elderly population. No specific treatment is available, other than recommendations to exercise and take protein and multi-vitamin supplements.

NIHS seeks to find new approaches to sarcopenia treatment through its collaboration with the [EpiGen](#), an international alliance of researchers. The Multi-Ethnic Molecular determinants Of human Sarcopenia (MEMOSA) project is a three-year programme, launched in March 2015, with the aim of developing methods of identifying the condition at a molecular level.

The MEMOSA project, funded by NIHS, involves the analysis of genetic material and proteins by researchers to identify new recipients of intervention and biomarkers that can link these molecular profiles with the nutritional deficiencies associated with sarcopenia. These findings will then be used to develop new interventions for sarcopenia sufferers from a variety of ethnic backgrounds via innovative nutritional solutions.

## Nestlé Research Center (NRC)

Our research activities allow us to develop foods and beverages that address specific health and lifestyle issues, giving us understanding that we share through our private network.

By focusing on five platforms, the NRC helps guide Nestlé's nutrition, health and wellness activities from a research perspective. With a staff of more than 600, representing approximately 50 nationalities and a wide range of scientific disciplines, the NRC drives science and technology, from basic nutrition and health research to applied research for product development and application.

### The five platforms

Our five platforms are designed to help Nestlé fulfil its commitment to offer consumers safe, healthy and tasty foods and beverages of the highest quality.

- **Food safety and integrity:** we aim to overcome complex food safety and integrity challenges by improving processes at different stages, including the optimisation of heating processes, raw material selection and packaging;
- **First 1000 days and Healthy Kids:** we are committed to developing nutritional concepts and programmes, which promote the health of mothers, infants and growing children. Through our focus on the first 1000 days of a child's existence, we seek to fulfil specific nutritional needs and target early environmental and behavioural factors to promote optimal growth and development for long-term health and wellness;
- **Healthy ageing:** as life expectancy increases, we develop nutrition and service solutions to support the health and wellness of an ageing population;
- **Healthy pleasure:** we are committed to delivering products that taste great, are healthy and exceed consumer expectations, through science-based solutions; and
- **Sustainable nutrition:** we develop research to help promote the physical and economic access to sufficient, safe and nutritious food and water to meet people's dietary and cultural needs and enable an active and healthy lifestyle while minimising environmental impact.

## Understanding more about brain health

NRC hosted its 12<sup>th</sup> Nestlé International Nutrition Symposium on Cognition and Brain Health in October 2015. The event, held at Nestlé's headquarters in Vevey, Switzerland, focused on two key areas: the role of nutrition during infant brain growth and the development of nutritional thinking to address the increase of neurodegenerative disease. Academics from around the world participated, including Nobel laureate Professor Eric Kandel, and data on a new infection hypothesis for Alzheimer's disease was presented. The event also included an address from Nestlé chairman Peter Brabeck-Letmathe. Learn more about our [educational symposia](#).

## Innovative nutrition in South Africa

Morogo is a plant similar to spinach, native to South Africa, which traditionally formed part of a staple diet. However, increased urbanisation and changing attitudes to food have reduced its popularity. NRC in Lausanne, Switzerland, has developed a new variety of *Maggi* noodles that contains morogo, which is high in protein, vitamins and minerals, in the 'tastemaker' sachet used to flavour and fortify the noodles. The noodles were developed as a partnership between NRC and the South African Council for Scientific and Industrial Research (CSIR) and Agricultural Research Council (ARC) to research native plants with clear health benefits for [everyday use](#).

Taste, nutritional quality and abundance were three things sought by the scientists in an ingredient. Morogo was chosen as it could be processed as a food, provide farmers with income and appealed to millions of South Africans. Nestlé and its partners worked closely with farmers to identify prospective species of morogo, refining the amaranthus species into a powder that was trialled – first on an artificial gut, and then on people. These trials led to the production of *Maggi* 2 Minute Noodles in Babelegi, north of Pretoria, and the product launch in October 2015. If the noodles prove successful, the morogo supply chain will be expanded across South Africa.



## Epigenetics



NRC is intensifying its research into epigenetics, the science of how environmental factors, such as nutrition and eating behaviours, impact our genes and health, and that of our offspring and future generations. In 2014, Nestlé announced an investment of CHF 22 million and an extension of our collaboration with EpiGen, which brings together leading researchers from academic institutions in New Zealand, the UK and Singapore.

In 2015, Nestlé and EpiGen scientists jointly published one of the first comprehensive reports of whole grain intake in an Asian population, and in pregnant women. The study showed that [whole grain intake](#) among expectant mothers in Singapore is below the recommended dietary guidelines.

## Nutritional interventions for the metabolic health of mothers and infants

A nutritious diet and healthy eating behaviour during pregnancy reduce the risks of complications and metabolic disease in offspring. NRC is dedicated to developing nutritional concepts and educational programmes that promote maternal and offspring health, with a focus on reducing the risk of developing obesity later in life. To this end, NRC is conducting a multi-centre clinical intervention trial of a specific blend of nutrients and probiotics in pregnant women, in collaboration with researchers from EpiGen and the National University Hospital, Singapore. We believe that this is the first study to examine the impact of specific nutrients, from before conception and during pregnancy, on both maternal and infant metabolic health.

The study, entitled 'Nutritional Intervention Preconception and during Pregnancy to maintain healthy glucosE levels and offspRING health' (NiPPeR), will assess the effects of a nutritional solution, consumed both before and during pregnancy, on maintaining healthy blood sugar, vitamin and mineral levels in the mother, sustaining a healthy pregnancy and on promoting healthy growth and development of her infant. The trial, which began in July 2015, will include 1800 women in Southampton, Singapore and Auckland.

## Research to improve cardiovascular health

A key focus of NRC's work is cardiovascular health. In 2015, the NRC published a meta-analysis of 15 existing studies in the [Journal of Hypertension](#) on the benefits of potassium intake for people with normal or high blood pressure who were not taking medication for their condition. The WHO guidelines recommend that individuals consume less than 2 g of sodium and more than 3.5 g of potassium per day.

The study concluded that modifying diets to lower sodium and increase potassium intake could be effective in preventing high blood pressure and could be a cost-effective method of delaying the onset of hypertension or mitigating its severity. Higher potassium intakes can be achieved through eating more fruit, vegetables, pulses and nuts – which Nestlé [encourages](#) – and through foods fortified with potassium as a substitute for sodium.

## Researching children's nutrition

We seek to continually improve our understanding of eating habits, particularly during the crucial first 1000 days of life. One important element of this is understanding what influences children's diet, lifestyle and health, which we achieve through a series of dedicated studies that are shared publicly. By establishing the right feeding practices early in childhood, we believe that children can be encouraged to pursue healthy eating and hydration throughout their lives, allowing their development to proceed along the [optimal blue line](#).

### Our commitment



**Build knowledge leadership in children's nutrition**

### Our objective

- **By 2016** – Launch large-scale research projects in at least 10 countries across the globe, including the United States, Mexico, China and Russia to expand understanding of children's nutrition and inform our own product and service development.

In 2013, Nestlé committed to build knowledge leadership in children's nutrition through a deeper understanding of their dietary intakes and lifestyle habits. It remains a top research priority for our teams, with plans to launch large-scale research initiatives in at least 10 countries by the end of 2016. The results of these studies help define our product formulation, consumer communication and educational programmes.

The period from birth to four years old is vital, as it sees a transition from an all-milk diet to solid foods. Our FITS was designed to improve understanding of the eating patterns of infants and toddlers at this stage and their associated nutritional intake. Initially conducted in the United States in 2002 and 2008, the FITS has now been launched in China – known as the Maternal Infant Nutrition Growth (MING) study –

and Mexico, while a new study in the United States was initiated in 2015. By the end of 2016, we expect to launch the FITS in Russia.

FITS is complemented by the KNHS, which focuses on children at the next life stage, from 4 to 12 years old. Many of the dietary and activity habits that influence health across life are formed at this stage. KNHS explores the food and nutrient intakes of children and their relationship to lifestyle and behaviour patterns. This information can be used to help inform healthcare providers and policy-makers concerned with children's nutrition and health. KNHS is currently being conducted in the United States, China and Mexico, and in 2016 will be initiated in Russia.

Findings from FITS and KNHS have so far revealed the following:

- Breastfeeding rates are too low;
- Cow's milk and complementary foods are introduced too early, including some less nutritious complementary foods, such as rice and tortillas;
- Infants do not consume sufficient levels of iron, as shown in China and Mexico;
- Infants consume high levels of salt (sodium) and saturated fats, particularly in the United States and China; and
- Fruit and vegetable intake is low, with children more likely to receive sweets and sweetened beverages from an early age.

FITS results are already influencing the foods and beverages we are developing to address nutritional gaps for children and toddlers. For example, our Gerber Graduates range in the United States, aimed at pre-schoolers, now contains a greater quantity of vegetables. Other areas in which we have seen an increased impact thanks to FITS and KNHS include: encouraging children to consume whole grain pasta; adding healthy oils to infant dinners; and providing more convenient packaging for fruit and vegetables in snacks. We expect this impact to steadily increase.

 **Read more** on [encouraging vegetable consumption](#).

## Helping parents adopt healthier attitudes to nutrition



A new article based on results from the FITS (2008) in the United States has illustrated the need to support parents in the development of healthy feeding practices in their children from a young age. The article, published in the CDC's *Preventing Chronic Disease* journal in September 2015, indicated that although parents thought that their children consumed enough fruits and vegetables, only 30% of pre-schoolers met the recommendation of five daily servings.

The research also indicated that about half of toddlers (56%) and pre-schoolers (52%) met the recommendation to limit consumption of sugar-sweetened beverages. For further information and access to the article, please click [here](#).

Externally, we share our findings with health community professionals and public health authorities, to help address public health issues both nationally and globally. For example, [portion size](#) data from KNHS forms the basis for our discussions on reference amounts customarily consumed (RACCs) with regulatory authorities in the United States. We also shared findings from the MING study with more than 2144 public health professionals through 12 Nestlé workshops in 2015, and across China via the [NNI](#).

We also share knowledge through publications. Our latest publications from both 2014 and 2015 include:

- A paper on the diets of infants and toddlers in the United States who participated in the Special Supplemental Nutrition Feeding Program for Women, Infants, and Children (WIC);
- A review of parents' perceptions of their children's diets in the United States (see the case study on [page 55](#));
- A study of early weaning and infant feeding practices among Mexican children;
- Papers on food sources of energy and nutrients for infants and toddlers in China;
- Papers on nutrient adequacy and non-communicable disease risk factors for children and adolescents in China; and
- Results in Mexico showing that increased snacking and meal frequency is associated with higher energy intakes in older children.



The first years of a child's life are a critical period of development. Instilling good eating and drinking habits during this time can help set a child on the path to a healthy future."

**Dr Kathleen Reidy, Vice President, Nutrition Science, Nestlé Infant Nutrition**

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In 2015, results were presented at several international scientific meetings, including the Asia Pacific Conference on Clinical Nutrition (Malaysia), the Asian Congress of Nutrition (ACN; Japan), Experimental Biology (United States) and the International Society of Behavioural Nutrition and Physical Activity (United Kingdom), the Lancet/Chinese Medical Society meeting (Beijing) and the Congress of the Latin American Society of Nutrition (SLAN; Dominican Republic).

### The Asian Congress of Nutrition

The ACN meets once every four years to encourage scientific interchange between food and nutrition researchers from Asian countries and worldwide. Its meeting with the theme 'Nutrition and Food for Longevity' was held in Yokohama, Japan, in May 2015.

Scientists from the NRC presented its work to a broad scientific audience in Asia, through two scientific symposia:

- Presenting [Feeding Infants and Toddlers Study \(FITS\)](#) (MING study) and KNHS in China; and
- Introducing the [Nestlé Nutritional Profiling System](#).

A summary of the Nestlé Nutritional Profiling System (NNPS) in Asia, presented at the symposia, was published in the supplement of the [Journal of Nutrition Science and Vitaminology](#), and four exceptional scientists were nominated by ACN organisers to receive the Nestlé Nutrition Investigator Award.

## Innovative therapies

We have worked to strengthen our nutrition, health and wellness strategy in recent years. Our strategy was reinforced by the creation of new businesses, dedicated to innovative therapies to support consumers throughout their lives: Nestlé Health Science (NHSc) and Nestlé Skin Health. Nestlé Health Science is a health science company 'where nutrition becomes therapy', advancing the therapeutic role of nutrition and forging a greater, more central and integral role for nutrition in the management of health. Nestlé Skin Health offers science-based solutions to care for the skin, hair and nails. These new areas are built on the strength of our foods and beverages.

### Nestlé Health Science (NHSc)



As part of our ambition to be a leading Nutrition, Health and Wellness company, Nestlé offers a portfolio of nutrition solutions, diagnostics, devices and drugs through Nestlé Health Science that target a number of health areas, such as inborn errors of metabolism, pediatric and acute care, obesity care and healthy ageing, as well as gastrointestinal and brain health. Through investing in innovation and leveraging leading-edge science, Nestlé Health Science brings forward innovative nutritional therapies with clinical health, economic value and quality of life benefits.

Nestlé Health Science is a company engaged in advancing the role of nutritional therapy to change the course of health for consumers, patients and our partners in healthcare. Created in 2011, NHSc is supported by the Nestlé Institute of Health Sciences, which researches how nutrition can empower people to improve and maintain their health, and [our R&D network](#), as well as through external partnerships. NHSc is organised into three business areas:

- **Consumer Care** addresses specific health conditions and includes products that people pay for themselves in a pharmacy, retail outlet or online;
- **Medical Nutrition**, NHSc's largest business, covers products recommended by healthcare professionals and supplies hospitals and other healthcare facilities; and
- **Novel Therapeutic Nutrition** works on new nutritional therapies for specific diseases and conditions, focusing on gastrointestinal and brain health, administered by a health professional.

In 2015, we made progress across all three areas.

#### Consumer Care

We launched products in Europe and the United States. In Europe, we launched new varieties of powder and pre-mixed drinks to support healthy ageing, including *Meritene® Mobilis*, a drink high in whey protein, leucine, calcium and vitamins, targeting bone, muscle and joint health; *Meritene® Vitachoco* (a multivitamin supplement in chocolate flavour); and *Meritene® Regenervis* (a supplement of potassium and magnesium, with antioxidant vitamins and minerals). In the United States, we launched *Boost®* nutritional drinks in compact sizes, such as

*Boost Calorie Smart®*, a 100-calorie balanced nutritional drink, and *Boost® Compact*, a complete nutritional drink. Consuming a nutritional drink such as the new *Boost®* drinks can help older adults get the nutrition they need every day.

Our support for nutritional solutions to health conditions was reflected in our sponsorship of the inaugural [Gastrodiet](#) conference held in Italy in November 2015, where world-leading experts explored new scientific approaches to address irritable bowel syndrome.

#### Medical Nutrition

One key area for Medical Nutrition is providing acute care with a range of nutrition solutions for critically ill people and for older people suffering from malnutrition or difficulty swallowing. In 2015, we launched the *Compat Ella®* feeding pump, which connects to patient data systems to ensure that feeding rates are easily adjusted to patient needs, thereby improving clinical outcomes and reducing care costs. We also announced a new cooperation with GE Healthcare to develop integrated nutritional management systems.

In the food allergy and intolerances space, another of our key focus areas, our unrestricted grant helped experts develop *CoMiSS®* (Cow's Milk-related Symptom Score), an awareness tool to help primary healthcare professionals assess the likelihood of cow's milk protein allergy, a condition estimated to occur in 2% to 3% of infants. The tool, which has a predictive rate of 80% and can be used by primary healthcare professionals, can lead to earlier nutrition intervention by several months.

We announced our investment of USD 70 million (CHF 69.3 million) to create a Nestlé Product Technology Centre (NPTC) in New Jersey, USA, opening in 2016. It will be dedicated to developing innovative nutritional solutions, focusing on applied research and product development, sensory perception, engineering and technological expertise in packaging.

In China, we announced the investment in a new manufacturing facility to be built in China Medical City, Taizhou. The new Taizhou manufacturing site will be the first FSMP (food for special medical purpose) factory.

## Novel Therapeutic Nutrition

We invested in [Seres Therapeutics](#), a leader in developing a new class of biological drugs designed to treat diseases by restoring gut function. One development that our investment supports is phase III trials of [SER-109](#), for the prevention of recurrent *Clostridium difficile* infection (CDI) in adults – a condition that affects 85 000 to 110 000 patients in the United States alone and is caused by antibiotic disruption of the gut microbiome. The FDA designated SER-109 an orphan drug and a breakthrough therapy in 2015.

In January 2016, Nestlé Health Science signed an exclusive agreement outside the United States and Canada for Seres Therapeutics' novel class of microbiome therapeutics (Ecobiotics®) in the fields of *Clostridium difficile* infections (CDI, such as SER-109 and SER-262) and inflammatory bowel disease (IBD; such as SER-287 and SER-301). The agreement follows Nestlé Health Science's initial equity investments in US-based Seres Therapeutics announced in January and July 2015.

### Supporting new therapies

More than 1 million people worldwide are estimated to suffer from ulcerative colitis, a chronic and debilitating inflammatory condition of the large intestine. It is estimated that 40% of patients that receive the most common treatment, Mesalazine, still suffer ongoing symptoms of the disease.

NHSc has entered into a licence agreement with [Lipid Therapeutics](#) for exclusive rights worldwide (except for Europe and Australia) to LT-02, a novel barrier function therapy for patients with mild-to-moderate ulcerative colitis. LT-02 can not only help heal ulcers but also restore the lining of the colon wall, preventing further occurrences. NHSc plans to start phase III clinical trials in the United States in 2016. We hope to advance patient outcomes for those who suffer from ulcerative colitis.

Through investment, innovation and geographic expansion, we are accelerating the growth and development of our established Consumer Care and Medical Nutrition business areas. Both are operating in growing markets driven by mega trends – ageing population, cost pressure, self-care, scientific and clinical advances and geographic development. We are gearing to bring forward breakthrough innovations in Novel Therapeutic Nutrition – building a portfolio of clinically proven nutritionally based innovations with a more direct therapeutic impact and known mode of action. We aim to address unmet needs. Since its creation, NHSc has made acquisitions and forged a number of partnerships since 2011. These include:

- **Vitafo**, specialists in treating genetically inherited metabolic disorders;
- **Prometheus Laboratories**, a provider of diagnostics and pharmaceuticals in gastroenterology and oncology;
- **Pamlab**, a producer of medical foods for brain and metabolic disorders;

- **Nutrition Science Partners**, a joint venture exploring the potential of botanical-based nutrients for gastrointestinal disorders;
- **Accera**, which supports nutritional therapy trials for Alzheimer's sufferers (in which Nestlé has a minority stake);
- **Seres Therapeutics**, developing microbiome therapeutics focused on IBD and *C. diff* (a GI infectious disease) – are all interacting with the gut microbiota;
- **Lipid Therapeutics**, developing a novel barrier function therapy for patients with mild-to-moderate ulcerative colitis; and
- **Pronutria Biosciences** (announced on 23 February 2016), developing amino acid biologics, *Pronutreins™*, targeting irregularities in amino acids, increasingly known to have underlying associations with a range of conditions.

## Nestlé Skin Health



### Nestlé Skin Health

Through Nestlé Skin Health, we enhance the quality of life by delivering science-based solutions for the health of skin, hair and nails over the course of people's lives.

An estimated 3000 skin diseases are known to exist, more than for any other organ of the body, and approximately 70% of people are affected by these conditions at some point in (if not for all of) their lives. Our innovative products and solutions are designed to protect, nourish and enhance, as well as treat, correct and restore.

Nestlé Skin Health was founded in June 2014, growing out of Galderma, a leading dermatology company dating back to 1961. It employs approximately 6000 people worldwide. Nestlé Skin Health provides both the healthcare community and the consumer with an ongoing progression of innovative technologies and products to protect, serve and enhance skin health. It achieves this through Galderma, its medical solutions business, and Consumer Skin Health, through which it aims to bring science-based innovation to the broader market.

Much of Nestlé Skin Health's work depends on product research and development, and our dedicated Skin Health R&D division employs more than 700 people for the purpose. Since the company's inception, more than 2000 scientific publications have been issued and more than 6000 patent applications have been filed. In 2015, we filed 57 new applications and conducted more than 200 clinical studies involving subjects from around the world.

### Expanding borders: skin health and ageing

Advances in healthcare and technology are resulting in longer lives. As people live longer, their needs and expectations change. We want to help people keep healthy skin as they age. Nestlé Skin Health works closely with academia and institutions to find improved methods for preserving, restoring and maintaining healthy skin. By partnering with healthcare professionals and institutions around the world, we strive to build and sustain a strong and long-lasting dermatology community.

One initiative that supports dermatology activities that have a positive social impact is the SKIN PACT programme. Initiated by Galderma, with the support of the International League of Dermatological Societies, SKIN PACT aims to inspire dermatologists and other doctors to develop and help implement voluntary projects that support a sustainable dermatology community. At the 2015 SKIN PACT Awards ceremony, which had the double theme of 'Community Leadership' and 'Excellence in Education', four projects were selected out of an initial 100. The winning projects, which each received or are due to receive a USD 15 000 (CHF 14 850) grant, came from Taiwan, Germany, Colombia and Italy.

### Building the SHIELD network around the globe



In response to the expected rise in skin health needs in a rapidly growing ageing population, Nestlé Skin Health has started to establish a global network of innovation hubs to advance the next generation of skin health. Known as Nestlé Skin Health Investigation, Education and Longevity Development (SHIELD) centres, this global innovation network will be built to foster breakthroughs and collaboration in skin health through medical investigation, education and applications related to the convergence of technologies and bioinformatics. The first SHIELD centre, in New York, USA, will be opened in early 2016.

With a view to supporting China's elderly population – predicted to form [at least 17%](#) of its population by 2020 – Nestlé Skin Health also announced in 2015 that it will open a SHIELD centre in Shanghai, establishing China as a key pillar of Nestlé Skin Health's global initiative. New York and Shanghai will be followed by other location across the world in the future.

The SHIELD initiative is aligned with the needs identified by the 2014 Manchester Summit on Active Ageing and Healthy Skin, which called for action and innovation in skin health as a path to wellness, social value and economic growth.

# Nutrition education: promoting healthier habits

Nestlé believes that education can play an important role in promoting good nutrition and healthy lifestyles. We are dedicated to educating families, scientists, and health and food professionals about the different nutritional needs of populations. With a range of programmes and activities, we work with expectant mothers, caregivers, families, food professionals and our own employees to promote better understanding and healthier habits

## Our commitment



**Provide education programmes for good nutrition and feeding practices**

Good nutrition and the right feeding practices during the first 1000 days of life, from conception to a child's second birthday, lay the foundations for a child's lifelong health and wellbeing. It is in this period that a baby's future health is programmed, which is why it is important to establish healthy eating habits from the start.

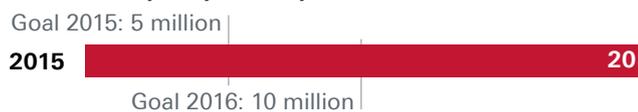
 **Read more** about how we support the education of [health professionals](#).

## Nestlé Start Healthy Stay Healthy

### Our objectives

- **Ongoing** – Provide nutrition education for parents and caregivers on the importance of the first 1000 days (from conception to the child's second birthday), including maternal nutrition during pregnancy and promoting breastfeeding as the best start in life.
- **By 2015** – Nestlé Start Healthy Stay Healthy will reach over 5 million mothers and caregivers worldwide with multilingual online nutrition education services.
- **By 2016** – Nestlé Start Healthy Stay Healthy will reach over 10 million mothers and caregivers worldwide with nutrition education.

### Number of mothers and caregivers reached by Nestlé Start Healthy Stay Healthy (million)



The first 1000 days of a child's life, from conception to its second birthday, represent a unique opportunity to ensure optimal growth and development in the short term, and future health in the long term. In this period, mothers need to consume the right foods and beverages to avoid serious health risks, for themselves and their children, such as maternal morbidity, preterm birth, macrosomia (babies weighing more than 4 kg at birth) and infant mortality.

The Nestlé Start Healthy Stay Healthy initiative is our corporate non-product branded consumer education

programme designed to provide support for mothers and caregivers during this critical time. The online programme helps mothers understand that a baby's nutrition needs evolve as they grow, and provides practical, science-based advice on what to feed, how to feed and why. Nestlé Start Healthy Stay Healthy also provides doctors with practical tools and support that can be used in face-to-face sessions to educate women on the importance of good nutritional practices as the baby grows and develops.

Although a global programme, Nestlé Start Healthy Stay Healthy is customised to meet local guidelines. Its aim is to encourage the development of nutrition understanding for parents, converting general awareness into active learning and the adoption of strong, health-promoting behaviours.

## World Breastfeeding Week



Every year, World Breastfeeding Week is celebrated in more than 170 countries to encourage breastfeeding and improve the health of babies around the world. Traditionally held in August, it commemorates the Innocenti Declaration signed in August 1990 by government policy-makers, the WHO, UNICEF and other organisations to protect, promote and support breastfeeding.



In 2015, following the global theme 'Breastfeeding and work – make it work!', Nestlé organised campaigns throughout the world. In India, this took the form of a social media campaign, titled: 'Breastfeeding isn't just a mother's responsibility'. The campaign sought to raise awareness, and provided practical tips and advice, of how friends, family members and colleagues can support breastfeeding mothers.

Other social media campaigns were organised in North America, Latin America and South East Asia, with the aim of generating awareness about lactation in the workplace.

We support and promote the WHO's recommendation of exclusive [breastfeeding during the first six months of life](#), followed by the introduction of nutritious foods that complement sustained breastfeeding for up to two years and beyond. Nestlé Start Healthy Stay Healthy actively promotes breastfeeding during [World Breastfeeding Week and throughout the year](#) (see case study above).

By the end of 2015, Nestlé *Start Healthy Stay Healthy* exceeded its objective by reaching 20 million mothers and caregivers globally. In China, Nestlé is working with local government agencies to offer education services about best nutrition practices to more than 33 000 mothers through 800 local community classes.

## Nestlé Healthy Kids

### Our commitment



Promote healthy diets and lifestyles, including physical activity



Supporting children goes beyond understanding their eating and drinking habits, and designing foods and beverages that help them eat and drink better. We aim to help children understand their own habits, to learn the role that nutrition and hydration play in their lives and to balance good nutrition with an active lifestyle. Our Nestlé Healthy Kids Programme is a key element of our work to encourage healthier, wellness-based habits over life. To ensure success, local experts tailor the programme to the specific health and nutritional needs of their communities.

### Our objective

- **By 2015** – Nestlé Healthy Kids Global Programme will be ongoing in 80 countries to improve the nutrition, health and wellness of children around the world.

#### Nestlé Healthy Kids Global Programme

Goal: 80 countries by 2015



Our Healthy Kids Global Programme focuses on nutrition education and physical activity. The programmes teach children and adolescents the basics of nutrition and a balanced diet, help develop a positive approach to food, and give practical advice on how to improve eating and drinking habits and exercise. Physical activity classes complement 93% of the programmes.

In October 2015, we launched the 80<sup>th</sup> Healthy Kids Global Programme in Jordan; by year end, we had surpassed our objective with programmes in 84 countries. This year, we have 285 partners in the programme and reached over 8 million children through an investment of more than CHF 15 million.

Together with our partners, including government authorities, non-governmental organisations (NGOs), nutrition institutes and universities, we continue to advocate for a whole-school approach involving the curriculum, teaching and culture, placing importance on the role of nutrition and health in children's development. Healthy Kids Global Programmes are often actively supported by ministries of health, education or sports.

### EPODE

**EPODE** (*Ensemble, Prévenons l'Obésité Des Enfants/ Together Let's Prevent Childhood Obesity*) is a programme that began in two towns in Northern France. Since the first programme in France in 1992, Nestlé has actively supported EPODE and the [EPODE International Network \(EIN\)](#), which seeks to spread the methodology globally. Many Nestlé Healthy Kids Programmes are now part of the EIN.

As part of EPODE, the Bulgarian and Romanian Healthy Kids Programmes participated in the EU-funded [EPHE](#) project on health inequalities. For the study in Romania, data on the lifestyle habits of 180 families were collected. After three years of research, the EPHE study highlighted the benefits of continuous access to information, education and engagement from an early age to change lifestyle habits and create a favourable environment for the overall health of the families.

### Our objective

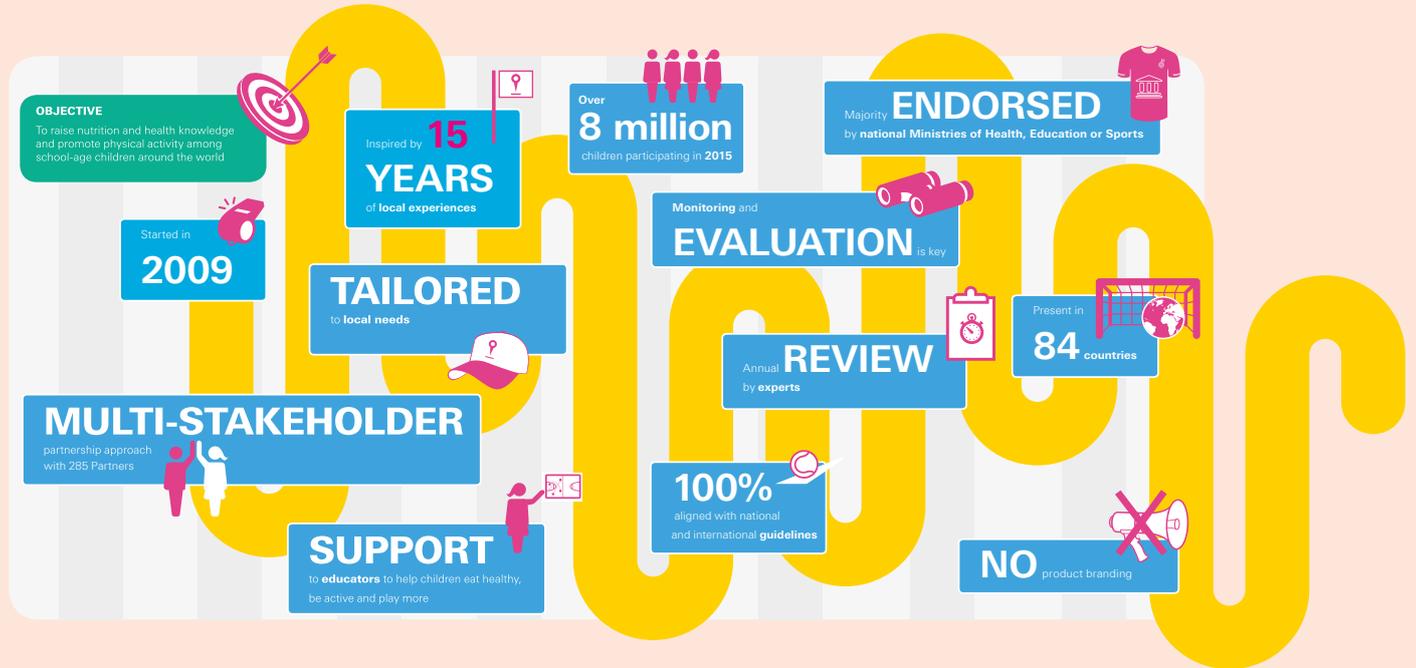
- ⊕ **By 2018** – We commit to maintaining existing Nestlé Healthy Kids Global programmes, while measuring their impact on children based on five globally defined goals.

We measure the effectiveness of the Healthy Kids Global Programme to build from our experience. We assess the impact that the Healthy Kids Programme has on children through an aligned global evaluation framework, with reporting based on the following goals:

- Eat nutritious and diverse meals;
- [Manage portions](#);
- [Choose water](#);
- Play and be active; and
- Maintain good hygiene habits.

Each programme is evaluated at the local level, most often by external, independent bodies that provide results-based development and guidance. These independent bodies include universities, scientific institutions and national academic institutions.

## Nestlé Healthy Kids: promoting nutrition education programmes worldwide



With the Nestlé Healthy Kids Global Programme, we aim to share the benefits of healthy lifestyles with children, in the hope that this will give them the chance to develop positive

attitudes and behaviours towards food choices and physical activity into adulthood. This infographic demonstrates what we had achieved by 2015. Nutrition Investigator Award.

## International Chefs Day 2015

Each year in October, chefs around the world celebrate International Chefs Day, with the support of Nestlé Professional. Organised by the [World Association of Chefs Society \(Worldchefs\)](#), International Chefs Day is an activity in which chefs engage with their local communities, providing exposure to their vocation and honouring their profession.

This year, Worldchefs selected 'Healthy Kids – Healthy Future' as the theme for their campaign. More than 1300 local chefs engaged with our Healthy Kids Programme in 52 countries to create Healthy Kids activities in schools and communities. Chefs visited schools and community centres on the day to interact with more than 13000 children about what it means to be a chef and to share knowledge about healthy nutrition in a fun, creative environment.



**84** The Healthy Kids Global Programme is active in 84 countries

**285** Partnerships with governments and NGOs

**Over 8m** In 2015, the Healthy Kids Global Programme reached over 8.2 million school age children



**1 Americas: Chile**



Operating for five years, Healthy Kids Chile currently benefits more than 20000 children from different cities. The programme is supported by the Ministry of Education and other educational bodies. In 2015, the programme included an e-learning module for teachers and also started an improvement of physical education classes programme. In 2016, Healthy Kids Chile will continue to expand.

**2 Europe: Portugal**



Healthy Kids Portugal was initially developed in 1999 in collaboration with the Nutrition Faculty (Universidade de Oporto), the Directorate General of Education and the Ministry of Education and Science. In 2015, the programme benefited 367 000 children from 4 to 12 years old.

**3 Africa: Kenya**



Since 2012, Healthy Kids Kenya has been implemented mainly in primary schools in Nairobi. The programme focuses on kids between 6 and 12 years old, in collaboration with the Ministry of Education and the Kenya Institute of Curriculum Development. In 2015, the programme reached around 250000 kids. Its expansion has also been designed in tandem with Nestlé's *Nescafé* Plan initiative in Kenya.

**4 Asia: China**



Healthy Kids China, also known as the Chinese Children's Nutrition & Health Education Project, reached 1 million children in 2015. Thanks to collaboration with nutrition and academic institutions, as well as the Local Centre for Disease Control and Prevention (CDC), the programme also provides scientific evidence for related national departments in developing nutrition education measures.

## United for Healthier Kids



As part of our global commitment to leadership in child nutrition, Nestlé established the United for Healthier Kids® initiative in 2014. By working closely with local public and private partners, including governments and health authorities, United for Healthier Kids is a pioneering, science-based programme, with a social media core. It is designed to inspire and enable behavioural change for individuals and the community, helping parents establish healthier eating, drinking and lifestyle habits for children from conception to the age of 12.

The initiative has been piloted in Mexico and the Philippines. Experience from these pilots has shown that, in addition to existing partners, collaboration with media companies and communication partners is crucial for promoting positive public health messaging. Nestlé has since launched United for Healthier Kids in Panama, Brazil and the Middle East, and plans to expand the platform in other countries where it has a presence.

### Establishing healthier lifestyle habits for children in Mexico



The United for Healthier Kids pilot in Mexico, *Unidos por Niños Saludables*, targeted three audience groups: employees, stakeholders and the wider public. Through collaboration with local public and private organisations, the Government's Ministry of Health and a national TV channel, the pilot was able to reach a large audience. For example, the TV channel created a new reality television format for the initiative, in which different medical specialists, including paediatricians, psychologists and nutrition experts, monitored and guided the adoption of healthier habits and attitudes towards nutrition in five families over 26 weeks.

Broadcast on Saturday afternoons, the show reached an estimated audience of 5 million parents and carers each week, with a further 13.5 million views on digital and social media channels (10.3 million via Facebook, 2 million via YouTube and 1.2 million on the channel's website) over the 26-week run. The families' fruit and vegetable consumption increased: 120% for adults and 104% for children. Indicators suggest that the changing diets and behaviour of the five families have had a positive impact on the community and the larger viewership.

### Our commitment



#### Provide education programmes for good nutrition and feeding practices

We provide education support to health and food professionals, as well as to our own employees. Read more on the [education services](#) we offer for expectant mothers and infants.

## The Nestlé Nutrition Institute

The NNI is a not-for-profit association that shares leading science-based information and education with health professionals, scientists and nutrition communities, and stakeholders.

The information shared by the NNI includes education, resources and research on a wide range of topics, from nutrition for infants to geriatrics, and from the nutrition of a healthy person to the integration of nutrition in disease management. As the world's largest private publisher of nutritional papers and journals, the NNI makes its information accessible both online and offline, and all content can be downloaded for free by registered members.

### Our objectives

- **Ongoing** – Offer nutrition education services and programmes for healthcare professionals addressing global under- and over-nutrition problems.
- **By 2015** – Nestlé Nutrition Institute (NNI) online professional education will be available in over 20 markets worldwide.
- ⊕ **By 2017** – Through a global website and 12 country-specific sites in 10 languages, the NNI online professional education will be available in over 50 countries.

Established in 1981, the NNI currently has approximately 272 000 members registered on its website from 194 countries. Visits to our website doubled in the last year, bringing us more than 6 million page views, which enabled us to achieve our 2015 objective. The NNI is currently exploring how to engage further with both older and younger health professionals through different channels.

At regional and international congresses and workshops, the NNI fosters exchange on nutritional and health-related topics. In 2015, NNI supported 13 international congresses, holding satellite symposia at nine, and participated in academic events and conferences. For example, the NNI hosted a symposium at the 9<sup>th</sup> World Congress of DOHaD (Developmental Origins of Health and Disease), held in November 2015, in Cape Town, South Africa, which explored the understanding of nutrition determinants in early childhood that may have an impact on long-term health.

The NNI also offers support to young clinicians globally, with a particular focus on the developing world. For example, the NNI provides an education grant to [ESPGHAN](#) (the European Society for Paediatric Gastroenterology, Hepatology and Nutrition) to educate African paediatricians in gastroenterology and nutrition.

### Working with FANUS in Africa

Supporting nutrition societies around the world is an important aspect of the work of NNI. One such group is the Federation of African Nutrition Societies (FANUS), a collection of nutrition societies seeking to promote and sustain nutrition security and national development across Africa. NNI held a satellite symposium during the last FANUS Conference in May 2015 in Tanzania. At the conference, topics discussed included the importance of nutrition throughout the life cycle, the breastfeeding experiences of rural African women and complementary feeding.

## Nestlé Professional

Through Nestlé Professional, we are in a strong position to work with chefs and food service operators around the world – the people who have a direct impact on the nutritional content of the food served in hospitals, schools and in public meeting places. These foods and beverages can be found across the globe; it is estimated that 175 Nestlé Professional beverages are sold per second. We also create nutritious products that are served in public institutions, such as in France, where 10 000 nutritionally specialised meals are served per day at Toulouse hospital.

Nestlé Professional creates foods and beverages that are made in our nine dedicated factories following research conducted in our culinary centres in Solon, USA; Frankfurt, Germany; Beijing, China; and Singapore. Nestlé Professional has been [renovating](#) foods and beverages to lower salt, reduce trans fat and introduce more essential nutrients, as well as encouraged food groups.

We provide educational materials and services with the aim of supporting food service professionals in improving the nutritional content of their food. In 2015, we began a partnership with industry magazine *Worldchefs*, in which our own articles now reach a wider audience.

### Cultivating young culinary talent in Latin America

Across the world, more young people are turning to professional cooking as an emerging profession – and Latin America is no exception. Training is expensive, sometimes prohibitively so, and successful careers can depend on good education and connections, which can provide significant hurdles to aspiring chefs from low-income backgrounds.

In this context, Nestlé Professional (Latin America) has begun an initiative to enhance the skills of selected students mostly from public culinary schools, providing them with better prospects for landing their first job in the hospitality industry. YOCUTA (YOung CUlinary TALEnt) seeks to give a select group of chefs an in-depth introduction to Nestlé's Nutrition, Health and Wellness expertise. In Colombia, the programme introduces participants to Nestlé's food and beverage portfolio, teaching them about Nutrition, Health and Wellness principles, giving recruitment tips and offering a session with a key opinion leader from the field. The training ends with each participant receiving a diploma, a set of cooking knives and the expectation that students will have a continued relationship with the programme.

In Colombia, Nestlé Professional partnered with the National Learning Service (SENA), a public institution that provides professional training to students from diverse social backgrounds, to provide training to 50 students. By the end of 2015, we had launched the programme in 13 countries across Latin America, reaching 408 students.



We seek to accompany chefs in their own development by providing information on a variety of platforms, including online videos and magazines. Our dedicated magazine *Nutripro* provides nutritious recipes, cooking tips and advice for chefs. *Nutripro* guidance recommends that food service professionals keep inventory manageable and focused on readily available and nutritionally relevant ingredients, to best promote the consumption of fruit, vegetables, whole grains and lean proteins. For example, *Nutripro* recently launched a Gluten Free Toolkit in Australia, providing important background material on coeliac disease, advice on how to select gluten-free ingredients and tips on putting together a gluten-free menu and avoiding cross-contamination.

## Educating our employees

To help reinforce our strategic ambition, we provide nutrition training for our people. We call this training the Nestlé's Nutrition Quotient (NQ) programme, which provides all our employees with a strong foundation of nutrition knowledge that they can apply to their daily professional activities as well as their own daily food choices. Launched in 2007 and taught online, NQ has progressive levels covering subjects such as nutrient basics and food groups, and how to integrate nutrition principles into daily living habits. For those people with no internet access, we offer classroom training and organise factory site campaigns, with an educational poster series, activities and hand-outs that our people can take home to their families.

By the end of 2015, more than 422 208 employees around the world had received NQ training at least once since programme launch. We also have in the last five years been re-training past trainees. In 2015 for example, 36 248 employees received refresher training. While we have made great progress towards training all employees on the NQ Foundation Module, with 94.4% trained by the end of 2015, we have extended our commitment to address all our joint ventures and employee turnover. See [Training our people](#) for more information.

We also train Nestlé Nutrition employees on the [Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes](#). [Find out more](#) about how we train our employees on the marketing of breast-milk substitutes.

# Nutrition, health and wellness: our foods, beverages and services

To promote nutrition, health and wellness across all the stages of life, we provide high-quality, science-based foods and beverages that help people lead healthier lives while enjoying what they consume. Our offerings can be found in households around the world, which gives us a strong platform from which to create and renovate nutritionally enhanced and culturally relevant food and beverage options. We also fortify some foods with nutrients and seek to provide services that encourage healthy eating patterns, such as portion guidance and informative packaging. By developing our understanding of consumers and the choices they make, we can deliver tastier and healthier foods and beverages that encourage individuals to achieve a balanced lifestyle plan.

Nestlé delivers more than 1 billion servings of foods and beverages every day worldwide, uniquely enabling us to drive optimal health and improved wellness.

We are committed to continuously improving the nutritional benefits of our foods and beverages, developing their health benefits through reformulation. Our gradual approach to reducing salt, sugar and saturated fats (and removing trans fats) helps individuals adapt their taste preference while choosing foods that support healthier lifestyles. We are equally interested in ensuring families get the missing foods and nutrition they lack in their diet – including fruits, vegetables, whole grains and fibre – through our portfolio and supporting services.

In the developing world, we are committed to playing our part in addressing undernutrition. A key element of our work in these countries is providing affordable nutrition and micronutrients to lower-income populations, especially children and women of childbearing age.

All of our nutrition, health and wellness activities are backed by scientific research, including studies on lifestyle behaviours. We also investigate the application of nutritional solutions for individuals with specific illnesses or needs associated with ageing, including skin health. We see our nutrition therapies as an opportunity to adapt our nutrition knowledge to support the health and wellness of a wider range of consumers.

## Innovation and renovation of our foods and beverages

Non-communicable diseases (NCDs), which are not passed between individuals, are responsible for an estimated 68% of deaths worldwide. There are four main types of NCDs: cardiovascular disease; cancer; chronic respiratory diseases; and diabetes. NCDs affect people of all ages in all regions, but two important risk factors are physical inactivity and nutrient-poor diets. In addition, [in 2014](#), 39% of the global adult population was overweight and 13% was obese.

Overweight and obesity can be caused by environmental factors that are hard to control, but the best methods of preventing these diseases are having an active lifestyle and improved nutrition. We believe that progressive food companies can develop food and beverage solutions that help give consumers access to healthier living.

### Popularly Positioned Products

We have a responsibility to provide consumers with high-quality, nutritious products, regardless of where we sell them and at what price. We have developed a specific approach to what we define as our PPPs, which focuses on meeting the specific needs of lower-income consumers worldwide. PPPs offer these consumers the opportunity to consume high-quality, nutritious foods and beverages at an affordable cost. We sell PPP versions of leading brands such as *Milo*, *Maggi* and *Nescafé*.

#### Popularly Positioned Products sales (CHF million)



#### Popularly Positioned Products stock-taking units (number of units)



**Products containing Branded Active Benefits**

(sales volume, CHF million)



**Products with increase in nutritious ingredients or essential nutrients\***



\* Based on reports of approximately 82% of factories.

**Nutrition and taste: the Nestlé Nutritional Profiling System and the 60/40+ programme**

It is important to us that our foods and beverages are tasty as well as nutritious. We guarantee the optimal nutritional contribution of our foods and beverages through the Nestlé Nutritional Profiling System (NNPS), while the 60/40 programme drives preferred taste through consumer sensory testing. NNPS adds the '+' to the 60/40 programme, making it 60/40+, which helps us to achieve our ambition of taste and nutrition.

Our innovation work begins with the NNPS. The system operates through a set of criteria based on up-to-date nutrition science and global public health recommendations. We use the NNPS criteria to assess all of our foods and beverages against criteria and how they fit into a children's or adult's dietary daily reference intakes.

The NNPS considers specific nutritional factors such as added sugars and fructose, saturated fats, trans fats, sodium and energy content, as well as additional criteria for essential nutritional contributions that specific types of food or beverage products should provide (e.g. calcium, protein, fibre or whole grain).

Each food or beverage that meets the criteria is said to have attained Nestlé Nutritional Foundation (NF) status, and accordingly represents an appropriate choice for consumers in the context of a balanced diet. A food or beverage product can only attain NF status when all of its nutritional factors meet category criteria.

The NNPS criteria are reviewed twice yearly by leading academics. In the last meeting, which took place in October 2015, the experts confirmed the upcoming publication and conference pipeline for 2016. In addition, we also received guidance on nutritional issues, such as the best approach to define portion sizes.

To provide full transparency of the NNPS methodology we plan to submit a series of publications to leading peer-reviewed scientific journals, written in collaboration with external nutrition experts. The first publication of the series will be published in February 2016 in the *European Journal of Nutrition*. We also feature the work of the NNPS at academic conferences. In 2015, we participated in the [European Nutrition Conference \(FENS\)](#) (Berlin, Germany), the [Asian](#)

[Congress of Nutrition Conference](#) (Yokohama, Japan) and the [Experimental Biology Meeting](#) (Boston, USA).

In 2015, we assessed 87.01% of our foods and beverages through the NNPS; of this total, 81.6% of our net sales met or exceeded the criteria. We remain firmly committed to improving the nutritional profile of those 18.4% of products that did not reach NF status through renovation.

Our nutrition-oriented renovation work is supported by the 60/40+ programme, which uses a representative consumer panel, in which at least 60% of the panel must prefer the taste in a blind test of the Nestlé food or beverage to those of a competitor. In 2015, foods and beverages with a sales value of CHF 33 657 million were analysed, improved or confirmed by the 60/40+ programme.

**Nutritious foods and beverages for children**

**Our commitment**

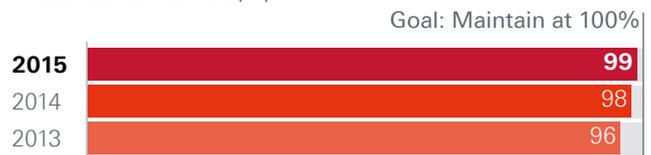


Provide nutritionally sound products designed for children

**Our objective**

- **By 2015** – Maintain our children's products portfolio at 100% NF 'Yes' status using specific criteria for children as per official recommendations.

**Children's food and beverages\* meeting Nestlé Nutritional Foundation criteria (%)**



\* By children's foods and beverages, we mean those where 50% or more of the consumers are up to 12 years of age, or that have been designed (or perceived as being designed) for this age group.

We seek to improve our foods and beverages for children by assessing all of our offerings through the NNPS criteria to determine their NF status. Ensuring that all of them are both nutritious and tasty can sometimes represent a significant challenge. By the end of 2015, virtually all (99%) of our foods and beverages for children, including [Popularly Positioned Product \(PPPs\)](#), met all the NNPS criteria. We have been able to achieve this through tailored innovations and the careful monitoring of our foods and beverages across all markets, establishing action plans where gaps exist.

## NNPS guides smarter portion size in Canada

Meeting NNPS criteria is not just about straight reformulation. Sometimes, reducing portion size is the right approach, guiding children with a thoughtful approach on how much of their favourite foods they can enjoy responsibly.

Nestlé Canada decided to help consumers manage their intake of sugars and fat by adjusting the pack and product size of its popular *Smarties*. To make the entire *Smarties* portfolio more intuitive in terms of Portion Guidance, Nestlé Canada made the following changes:

- Installing physical divisions within the regular *Smarties* box, which are now divided into three separate compartments, each containing a responsible single portion (15 chocolates);
- Replacing larger sealed bags with a recyclable 'family-size' canister with a lid designed to allow consumers to measure out a single recommended portion achieving NF criteria;
- Reducing the size of seasonal products to a single recommended portion; and
- Discontinuing any products where a credible reformulation or portion size solution could not be found (including the successful king-size *Smarties* box).



The *Smarties* changes were supported by a media and online campaign, and has met with success, in terms of both public reaction and sales. Facebook friends of *Smarties*, such as consumers already purchasing the product (including parents), were invited to learn about the change through this [video](#).

## Reducing salt, sugar and fat in our foods and beverages

Public health evidence shows that diets with reduced consumption of salt, sugar, and saturated and trans fats can help to improve health outcomes and decrease NCDs. We reduce the levels of these nutrients in our foods and beverages through gradual, science-based renovation. Our aim is to do so without having a dramatic impact on taste, safety, texture or appearance.

## Reducing salt across our portfolio

### Our commitment



### Reduce sodium (salt) in our products

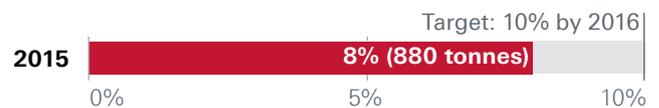
### Our objective

- **By 2016** – We will further reduce sodium content by 10% in products that do not meet the Nestlé Nutritional Foundation (NF) criteria, ensuring gradual salt reduction even in more challenging areas of our product portfolio.

#### Food and beverage categories lowered in sodium\*

(cumulative % and tonnes since 2013 to date)

Categories: Frozen Foods, Culinary Products, Biscuits, Dairy, Breakfast Cereals, Ice Cream and Beverages



\* Nestlé-branded products sold under Licence Partners are not included.

The Nestlé Nutritional Foundation (NF) criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé NF status.

Salt is composed of two minerals: sodium and chloride. Sodium is an essential nutrient for normal cell use, and primarily enters our diet through salt, via processing, home cooking or at the table. We aim to reduce the salt in our foods without consumers feeling the need to add it themselves or choose saltier alternatives. Our strategy is to combine reduced salt content with optimised ingredient combinations; in some cases, sodium is replaced with other minerals to simulate a salty taste.

We have accelerated salt reduction across all of our savoury food products to help consumers achieve a sodium intake of under 2 g per day. It is the equivalent of under 5 g per day of salt, which is the target recommended by the WHO.

Since the policy was introduced in 2013, when our foods were assessed and renovated using the NNPS criteria for sodium, we have achieved an overall sodium reduction of 800 tonnes, or 8% towards our 10% reduction target. The scope of our reduction activities covers around 8850 individual food and beverage products, representing 5.2% of our total portfolio. We are on track to deliver our 10% sodium reduction by the end of 2016. We continue to work to identify and implement technical solutions that will allow us reduce sodium, while maintaining consumer preference for our foods and beverages.

## Making pizza and snacking healthier in the United States



Nestlé USA pledged to improve the ingredient quality and nutritional profile of several frozen pizza and snacking brands in 2015, including *DiGiorno*®, *Tombstone*®, *California Pizza Kitchen*®, *Jack's*®, *Hot Pockets*® and *Lean Pockets*®. These improvements included the removal of artificial flavours as well as the reduction of sodium by 10% across the entire portfolio of these brands compared to 2013 levels\*. Nestlé successfully achieved this commitment, making changes to the ingredient profiles across the six brands within the United States – encompassing 250 products – while maintaining the great taste consumers expect.

As an example, *DiGiorno*®, an iconic brand and a pioneer in terms of its crust, removed leavening acids and emulsifiers from its crust recipe for the Rising Crust line of products. In addition to simplifying the ingredient label, sodium was reduced by an average of 11%. The renovated pizzas were able to maintain the Rising Crust flavour, texture and shelf life that had made them popular and received a positive response from consumers, as well. Additionally, in the case of *Hot Pockets*® and *Lean Pockets*®, every recipe was renovated twice between 2014 and 2015 to achieve significant nutritional enhancements, including reducing sodium.



We know people want to feel good about the foods they eat, and they're seeking foods made with fewer artificial ingredients and less sodium. As one of the nation's largest food companies, Nestlé is listening to consumers and delivering on their desire for convenient, great-tasting foods that have an improved nutritional profile."

**John Carmichael, President of the Nestlé Pizza & Snacking Division, Nestlé USA**

\* Reductions shown as sales-weighted line averages compared to 2013 sodium levels.

## Reducing sugars across our portfolio

### Our commitment



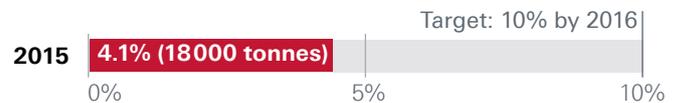
### Reduce sugars in our products

### Our objective

- **By 2016** – We will further reduce sugar content by 10% in products that do not meet the Nestlé Nutritional Foundation (NF) criteria, to ensure continual improvement even in more challenging areas of our product portfolio.

#### Food and beverage categories reduced in sugar\* (%)

Categories: Confectionery, Beverages, Biscuits, Flavoured Waters, Dairy Products, Ice Cream and Breakfast Cereals



\* Nestlé-branded products sold under Licence Partners are not included.

The [guidelines](#) issued by public health authorities recommend that people reduce and maintain their free sugars intake below 10% of their total energy intake. Free sugars are added to a food or beverage for taste or technical properties, and are linked to obesity and other NCDs, such as diabetes.

Our renovation work reduces sugar in our foods and beverages without altering taste, texture, colour or structure. For certain foods, such as sweetened condensed milk, we must follow strict requirements regarding their composition, and we are working to improve nutrition labelling. Tracking our progress in sugar reduction has been challenging, due to the detailed level of information involved and the extensive range of our portfolio. We aim to consistently provide solutions that achieve consumer preference and deter them from switching to a less nutritional product.

All of the areas of our business and joint ventures that contribute to our added sugar total have reviewed the renovation activities in more than 20 of their country-level operations. We have identified 13,940 individual food and beverage products that are not compliant with our NF sugar criteria, representing 7.1% of our total portfolio. By the end of 2015, we reduced our added sugar content by 18,000 tonnes, the equivalent of 4.1% compared with our 10% objective. Further renovation work has been initiated, showing additional projected reductions of 3.6%. However, it is likely that this reduction work will continue beyond 2016.

### Our objective

- **By 2015** – Reduce the sugar content in any serving of children's or teenagers' breakfast cereal brands to 9 g or less per serving, to promote a reduction in sugar in children's diets.

Since 2012, Nestlé has been working to reduce sugar content in its breakfast cereals, collaborating with General Mills as Cereal Partners Worldwide (CPW) to promote better nutrition at breakfast. The aim has been to reduce sugar to 9 g or less per 30 g serving, in line with the [EU Pledge on Children's Nutrition](#).

### Cereal brands included in the CPW renovation

- *Nesquik*® (also sold as *Milo*® and *Nescau*® in certain markets)
- *Chocapic*® (also sold as *Koko Krunch*® in certain markets)
- *Honey Cheerios*®
- *Cini Minis*®
- *Cookie Crisp*®
- *Golden Grahams*®
- *Lion*®
- *Crunch*®
- *Stars*® (also sold as *Estrelitas*® and *Kosmostars*® in certain markets)
- *Snow Flakes*® (also sold as *Zucosos*® in certain markets)
- *Trix*®
- *La Lechera*® (also sold as *Moça Flakes*® in certain markets)
- *Golden Nuggets*®

This has been a complicated challenge, as sugar is a component of most breakfast cereals, and contributes to the texture, colour and flavour of the grains. Nevertheless, our cereal renovation work has seen us reduce sugar globally by approximately 20% (more than 9000 tonnes) in our brands for children and teenagers.

The renovation of breakfast cereals, a nutritious and convenient food option, has required intensive development, product testing and research trials to ensure they are still tasty, while reducing sugar. We are pleased to announce that in 2015 CPW continued to reformulate over 100 recipes to achieve our objective to reduce the sugar content in breakfast cereals for children and teenagers to 9 g per serving. This includes brands such as *Nesquik*, *Chocapic*, *Honey Cheerios*, *Lion* and *Milo*, as well as more than 15 other Nestlé-branded breakfast cereals. The last section of renovated recipes will be introduced for production in 2016.

### Renovating for tastier and healthier snacks in Brazil



*Nescau*® is one of Brazil's market leaders in chocolate drinks. As the leading nutrition, health and wellness company, Nestlé wanted to ensure that *Nescau*® would be a tastier and healthier snack choice for children in Brazil. So, we reformulated the recipe and as a result we were able to ensure that added sugars in a serving of *Nescau*® contribute less than 3% of the energy requirements of moderately active children. Fat was also reduced by 45% and protein content increased by 26% (more milk added). The product launch was accompanied by proactive campaigns to explain the change in taste and benefits of the new recipe. More than 70% of healthcare professionals considered the drink as a good snack option and 63% of consumers said they will buy the product again.

## Removing trans fats and reducing saturated fats across our portfolio

### Our commitment



Reduce saturated fats and remove trans fats in our products

### Our objective

- **By 2016** – We will further remove trans fats originating from partially hydrogenated oils (PHOs) from all our foods and beverages.

### Spending on oils purchased already compliant with policy (%)



Healthy diets do include fats but too much fat, especially hydrogenated fats, poses a significant risk for the development of NCDs, such as heart disease. Most trans fatty acids are formed when vegetable oil undergoes a process known as hydrogenation, which makes it more solid at room temperature. The partially hydrogenated oils (PHOs) can be used for frying, and can give foods a longer shelf life, which is why they are often present in foods that can be stored at room temperature.

In 2014, we renewed our [Nestlé Policy on Trans Fat](#) and committed to removing trans fat originating from PHOs from our foods and beverages by the end of 2016, to minimise the daily intake of trans fats by our consumers, as recommended by the WHO. As of 1 January 2014, 612 oils were used by Nestlé worldwide.

Today, more than 98.5% of the oils that we purchase for use are compliant with the policy. All factories that do not use oils that comply with the policy are currently engaged in renovation activities. Many are collaborating with our suppliers and the technical community to ensure we remain on track to meet our objective.

### Our objective

- **By 2016** – We will further reduce saturated fats by 10% in products that do not meet the Nestlé Nutritional Foundation (NF) criteria.

### Food and beverage categories reduced in saturated fats\* (%)



\* Nestlé-branded products sold under Licence Partners are not included.

## Removing trans fats in *Coffee-Mate*

In the 2014 *Nestlé in society: Creating Shared Value* report, we announced our work to reformulate liquid *Coffee-Mate*, replacing 16 000 tonnes of PHO with a [high oleic soya bean oil](#), and removing 6 000 tonnes of trans fat. This work continued in 2015; altogether, 25 800 tonnes of oil have now been replaced and 9 900 tonnes of pure trans fat have been removed from *Coffee-Mate* sold in the United States.

Through close collaboration with our suppliers DuPont Pioneer, we have introduced control procedures at each step of the supply chain to ensure raw material authenticity. Replacement of the PHO with the high oleic soya bean emerging oil (*Plenish*®) has now been conducted on 80% of the *Coffee-Mate* portfolio. As an additional benefit, the new high oleic soya bean oils have also enabled saturated fats to be reduced by 40%.

There are currently more than 300 000 soya bean farmers in the United States. The increased prevalence of *Plenish*®, an innovative and cost-effective oil, coupled with the demand from Nestlé, are an example of Creating Shared Value – making our products healthier while supporting the farming community. A growing number of farmers are dedicating more acres to soya bean farming; in 2016, Nestlé expects to have 32 000 tonnes of new oil and to have replaced the current PHO with *Plenish*® in 100% of *Coffee-Mate* products.



Saturated fats can be found in animal fat products, including cream, cheese, butter and fatty meats, and a few plant sources. Diets that are high in saturated fats can raise the level of cholesterol in the blood, which in turn can cause severe health risks. To improve the nutritional value of our foods and beverages that contain saturated fats, we have implemented wide-ranging programmes to reduce saturated fats and launched a number of renovated foods with reduced saturated fats levels.

We have identified the 10 500 individual foods and beverages from our portfolio that are currently not compliant with the NF criteria for saturated fats. Although these products only represent 6.2% of our total foods and beverages, this is the most challenging part of our portfolio to reformulate.

Our initial renovation work has focused on these products. By working closely with the areas of the business involved and their joint ventures, we have successfully reformulated many of these foods and beverages. These reformulated products led to a physical reduction of saturated fats of more than 1 900 tonnes by the end of 2015, the equivalent of 2.2% out of the 10% we had committed to achieve. Further renovation work has been identified, showing an additional reduction of 7.2%. However, it is likely that its implementation will go beyond 2016.

Our challenge lies in the ability to provide technical solutions that do not affect consumer enjoyment while ensuring the expected quality throughout the product's shelf life. We continue to drive technological innovations that will enable further reduction of saturated fats in our product portfolio without compromising on safety, quality or taste.

## Reducing saturated fats and sodium in noodles in the Ukraine

Our product renovation team in Kharkiv, Ukraine, identified an opportunity to reduce the saturated fat content of our portfolio of Asian noodle products, which are manufactured locally and exported to 17 countries. By working with our R&D Centres in India and Germany, our Ukraine team is redesigning the noodle recipes for brands including *Mivina*, *Maggi*, *Buitoni* and *Winiary* to reduce saturated fats without compromising on taste. To achieve this, the Ukraine team is using Nestlé patented technology, culinary and equipment expertise equipment and new equipment.

The aim of the renovation is to deliver a food made with more traditional ingredients while reducing saturated fats content by more than 50% and sodium by more than 15%. Although the renovated noodle recipes have yet to go into full production, the approach will lead to the potential removal of more than 800 tonnes of saturated fats and 55 tonnes of sodium.



## Addressing malnutrition

The double burden of malnutrition – undernutrition, as well as overweight and obesity – continues to pose a significant threat to public health in most parts of the world. Public health authorities estimate that 2 billion people around the world suffer from micronutrient deficiencies, the most prevalent being iron, vitamin A, iodine and zinc. This form of undernutrition occurs when the intake and absorption of vitamins and minerals are too low to sustain good health and development (i.e. causing a deviation from [the blue line](#)), which disproportionately affects infants, young children and women of childbearing age.

Micronutrient deficiencies are also referred to as ‘hidden hunger’ by health professionals, as while hunger may not be apparent, the consequences can be devastating: mental impairment, poor health, low productivity and, in severe cases, even death. Even mild to moderate deficiencies can affect a person’s wellbeing and development. Childhood under-nutrition [is estimated](#) to cause 45% of child mortality, resulting in more than 3 million deaths annually.

Malnutrition is a major concern for our [stakeholders](#) and Nestlé is committed to addressing micronutrient deficiencies. We have acquired considerable experience in enhancing the micronutrient profile of our foods and beverages over the decades. Nestlé principally focuses on the addition of deficient micronutrients to foods that are nutritious, widely consumed, accessible and affordable for target consumers, especially for the low- to middle-income socio-economic groups in developing regions.

Certain foods and beverages must be fortified in accordance with international and national legislation (such as [BMSs](#), [complementary foods](#) and [clinical nutrition formulations](#)).

Our [Nestlé Policy on Micronutrient Fortification of Foods & Beverages](#) was revised in 2011 and 2015 to further strengthen our commitment and is now publicly available. We conduct research to see how our portfolio can positively contribute to addressing micronutrient deficiencies. We work closely with government and relevant partners to improve the nutrition and health of our consumers, most notably mothers and young children.



See more about [vitamin deficiency](#).

# IODINE DEFICIENCY

Iodine deficiency is a leading cause of preventable brain damage worldwide.

## WHY DO YOU NEED IODINE?

Iodine is essential for bone and brain development early in life.

It helps your body to produce thyroid hormones.

Your thyroid hormones are vital for a healthy metabolism...

...and help maintain a healthy body weight.

## WHO IS MORE AT RISK?

**Pregnant women**  
Women who are pregnant are thought to need about 50% more iodine than other women, to provide enough for their baby.

**Women who breastfeed**  
Breastfed infants get their iodine from breast milk, so if a mother is not getting enough iodine, then her baby could also be iodine-deficient.

**People who live in regions with iodine-deficient soil**  
Natural events such as flooding, heavy rainfall or glaciation can deplete iodine in soil. If soil is iodine-deficient, so are the grains and vegetables that are grown in it, making it difficult for people who rely on these crops for nutrition to get the iodine they need.

## WHAT IF YOU DON'T GET ENOUGH?

**Lower IQ**  
Iodine deficiency is the single greatest preventable cause of reduced cognitive development in children. It can lead to stunted growth, impaired coordination and diminished performance at school. All of these problems can last a lifetime.

**Swollen neck**  
The most visible sign is often goitre – a swollen neck that is the result of an enlarged thyroid gland.

**Risk of stillbirth**  
Serious iodine deficiency in pregnancy can result in stillbirth, increased risk of miscarriage, and congenital abnormalities such as cretinism, a condition that severely restricts mental and physical development and particularly affects people in iodine-deficient areas of Africa and Asia.

**Weight gain**  
Your metabolism slows down which often results in weight gain.

**Lower productivity**  
The consequences of iodine deficiency in adulthood include impaired mental function and lower energy and productivity.

[See more](#) about [iodine deficiency](#).

# ZINC DEFICIENCY

Zinc deficiency, generally related to poor absorption or intake of zinc from your diet, is still a major public health issue in parts of the developing world.

## THE SCALE OF THE PROBLEM

**1/3**  
Around one third of people in the world are estimated to be zinc-deficient

**16%** Lower respiratory tract infections  
**10%** Diarrhoeal disease

Worldwide, zinc deficiency is thought to be responsible for 16% of lower respiratory tract infections and 10% of diarrhoeal disease.

**Around 800,000**  
deaths a year are believed to be attributable to zinc deficiency.

## WHY DO YOU NEED ZINC?

It is essential for maintaining your **immune system** and for **growth and development**

Your body cannot store zinc, so **you need a daily intake** to maintain a steady level.

## WHAT HAPPENS IF YOU DON'T HAVE ENOUGH?

You are more susceptible to:

**Stunted growth in childhood** **Skin disorders** **Poor wound healing** **Hair loss** **Infections**

## WHO IS MORE AT RISK?

**Pregnant women**  
Zinc is essential for the growing foetus. It helps to avoid congenital abnormalities and pre-term delivery.

**80%**  
of pregnant women worldwide are estimated to not consume enough zinc.

[See more](#) about [zinc deficiency](#).

## Micronutrient fortification

### Our commitment

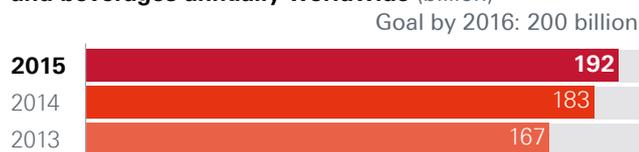


Help reduce the risk of undernutrition through micronutrient fortification

### Our objective

- By 2016 – We will reach 200 billion micronutrient-fortified servings of foods and beverages annually worldwide, helping to address global micronutrient deficiencies with a special focus on children and women of childbearing age.

#### Total number of micronutrient-fortified servings of foods and beverages annually worldwide (billion)



Ideally, nutrients that are essential for health should be obtained from a balanced and varied diet. For a number of reasons, this is not always possible, particularly in developing countries. The food and beverage industry, therefore, has a unique opportunity to contribute to tackling this major global health gap by improving the nutrition status of people at risk through the addition of relevant micronutrients to foods and beverages. We track the number of fortified servings sold in 66 key countries identified as possessing significant deficiencies, and we estimate the number sold in the rest of the world.

Many of our foods and beverages, including cereals and [milk](#), provide nourishment for particularly vulnerable groups including infants, children and expectant mothers. In 2015, we faced challenges due to general and specific economic conditions, such as not selling any [Maggi products](#) for a period of six months. However, we still increased the number of fortified servings we delivered in 2015 when compared to 2014, placing us on track to meet our 2016 objective.

In terms of our efforts to provide affordable foods and beverages for target consumers, especially low- to middle-income socio-economic groups in developing regions, 79% of our [PPPs](#) sold in 2015 were fortified with at least one of the 'Big 4' nutrients (iron, iodine, vitamin A and zinc).

A key product area in our fortification efforts is condiments, such as bouillon cubes and seasonings as well as soups. These are good carriers for nutrients as they build on existing eating habits and are consumed widely and frequently, and remain affordable to many populations. Iron-fortified bouillons, soups and noodles have been deployed with success in South Asia, Central and West Africa (CWAR), South Africa and Eastern Europe.

### The impact of fortifying foods and beverages

National nutrition surveys conducted in the Philippines indicate that micronutrient deficiencies remain prevalent among children. As an example, the [7<sup>th</sup> National Nutrition Survey](#) (2008) indicated that around 20% of children aged 1 to 12 years old suffer from anaemia. [Studies](#) have shown that the economic impact of the condition on the local economy is substantial.



Nestlé Research has worked together with the local [Food and Nutrition Research Institute](#) (FNRI) and the [Winterthur Institute of Health Economics](#), Zurich, to investigate the impact of micronutrient deficiencies in the Philippines, determining that there were substantial economic and health risks. Based on the findings from additional [research](#) conducted in 2012, scientists have confirmed that [fortified milk](#) can be an effective option in reducing anaemia in children that regularly consume it over a period of months.

As a result, Nestlé Research engaged with private and public stakeholders to create an awareness campaign that could encourage more mothers to feed their children with fortified powdered milk. The availability and popularity of Nestlé's Bear Brand fortified powdered milk in the Philippines made it an easy choice on which to build the campaign. Through the use of posters, online advertising and videos, and with the support of the Government, Bear Brand helped publicise the consequences of iron deficiencies in the Philippines among mothers.

The research group has continued to work on tailoring different strategies to reach children and their families through better access to micronutrients and, in 2015, the research was presented to public health authorities and local government bodies. The research group is also investigating how to apply similar methods in India, where the cost of iron deficiency anaemia is the equivalent of CHF 3.1 billion (USD 24 billion) per year in lost productivity, according to [estimates](#) by Nestlé Research and the Winterthur Institute of Health Economics.

## Tackling dietary deficiencies and assessing health and economic impact

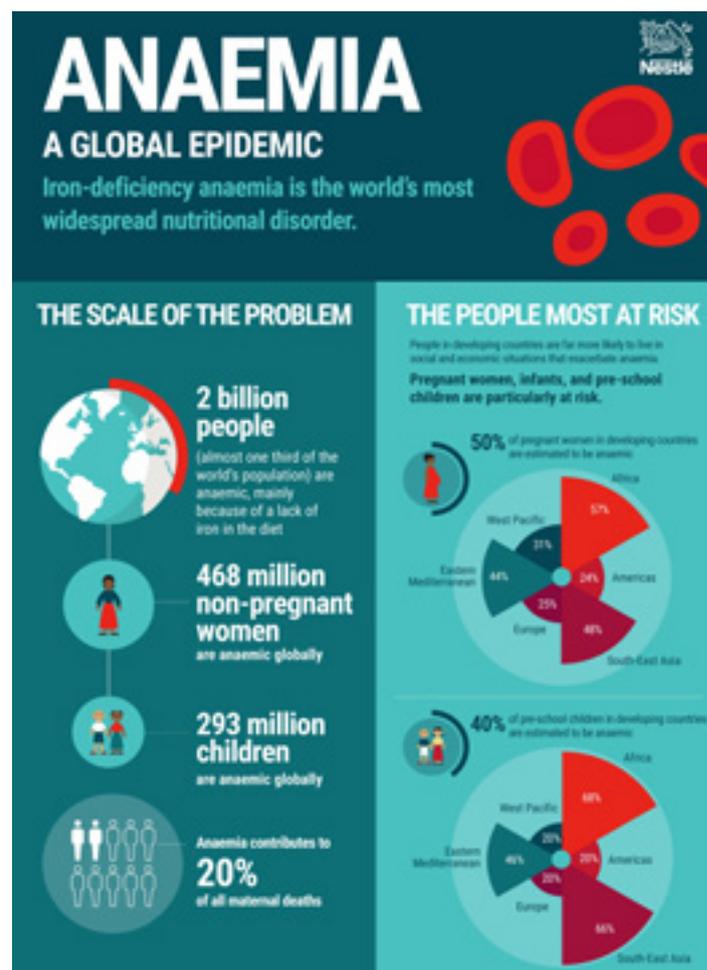
In developing countries, anaemia remains a severe public health issue with 50% of pregnant women and about 40% of pre-school children estimated to be anaemic. In many developing countries, iron deficiency anaemia is aggravated by worm infections, malaria, HIV and tuberculosis. Moreover, a lack of iodine in the diet is the largest cause of preventable brain damage, which affects 1.8 billion people worldwide. Deficiencies during pregnancy can have a seriously damaging effect on long-term child health.

The popularity of *Maggi* products and their market reach gives us a solid platform for helping tackle these nutrient deficiencies. In 2015, an estimated 44 billion of our *Maggi* products were fortified with iron. Furthermore, we put iodised salt in our *Maggi* products to fortify them: in 2015, approximately 95.1 billion individual servings of soups, seasonings and noodles were fortified.

Based on the large reach of our portfolio, scientists at the [NRC](#), in collaboration with external academic experts, continuously research the effect that our fortified foods and beverages have on the health of a nation's people and economy.

In 2015, a systematic review of the literature suggested that iron-fortified noodles and condiments, including seasonings, can effectively reduce the risk of anaemia. Armed with this knowledge, our scientists sought to link the evidence that consuming fortified condiments can have an impact on anaemia. The first country selected for assessment was Côte d'Ivoire, a country in which about half of the women and young infants are anaemic, as are 75% of infants aged between 6 and 59 months. The production losses caused by anaemia were calculated to be 297 000 Disability Adjusted Life Years (DALYs) (the equivalent to 4900 full life spans lost) and the economic long-term costs were found to be equivalent to 2.5% of GDP. Iron-fortified condiments were estimated to contribute to a significant reduction in terms of health and economic impact.

To underscore the critical importance of nutrition, we market all our fortified *Maggi* products with campaigns that promote their health benefits and affordability.



See more about [anaemia](#).

### Fortified food in Central America

Central America is one of the most vulnerable regions in terms of undernourishment within the Americas. Populations in Panama, Costa Rica, Guatemala, El Salvador, Nicaragua and Honduras were specifically identified as lacking adequate intakes of iron, zinc, vitamin A, folic acid and iodine. In response, Nestlé Central America launched the micronutrient fortification initiative.

Following the WHO's recommendation to use food products of frequent consumption as a vehicle of micronutrient fortification, we identified and fortified (or increased the fortification levels) of key products with micronutrients relevant to the region. These foods and beverages included:

- *IDEAL*® Evaporated Milk (fortified with folic acid and iron);
- *Maggi* Chicken Bouillon and Chicken Noodle Soup (both fortified with iron);
- *Malher* Chicken Bouillon and Chicken Noodle Soup (iron); and
- *KlimINIDO*® Forticrece Milk Powder and *Nestlé Esencial*® (calcium, iron, zinc and vitamins A, D and C). Increased fortification of the latter, and the addition of folic acid and vitamin B12, are set to take place in 2016.

In 2015, Nestlé Central America delivered 8 billion fortified portions of these products.

## Biofortification

### Our objectives

- **By 2015** – We will develop biofortified crops and launch new biofortified products in key markets to expand our fortified products portfolio and benefit rural farming communities.
- ⊕ **By 2017** – Continue to develop the supply chain for biofortified crops and expand our fortified portfolio.

Through biofortification, food is made more nutritious by selecting and breeding plant varieties that are naturally rich in micronutrients. It differs from conventional fortification, which adds nutrients through processing. Biofortification increases nutrient levels in crops during a plant's growth stage, which enables us to reach populations that conventional fortification may not be able to reach.

Successful biofortification requires careful planning, study and analysis of the factors required to grow and harvest crops. Since 2013, we have been working with agricultural research institutes in several countries to develop and establish supply chains for biofortified crops. It is a complex process that can take many years to get right.

This year, in Nigeria, we tested blending biofortified pro-vitamin maize with normal maize in a recipe. Local agricultural production of these new crop varieties was still very small in 2015. But, with our coordination and active encouragement, aggregators (intermediary suppliers) and the farmers with whom they work (mainly in northern Nigeria) are aiming to considerably increase the harvest of biofortified maize in 2016. Nestlé Procurement has committed to buy significant quantities of this harvest to stimulate the creation of a reliable supply chain.

Good understanding and alignment with stakeholders, including the International Institute of Tropical Agriculture (IITA), the Nigerian Federal Government, the NGO Harvest Plus and aggregator co-operatives and their farmers, is essential. This alignment is leading to a collective effort to promote, cultivate and use biofortified maize. The process presents a number of challenges, from securing the availability of high-quality biofortified seeds to ensuring they reach farmers, most of whom are smallholders.

In Africa, we are also exploring the viability of biofortification opportunities with cassava (Côte d'Ivoire) and rice (Madagascar), and we are investigating the suitability of biofortified crops in other locations, including Brazil and Chile. Read more about our [biofortification efforts](#).

## Promoting healthy hydration

### Our commitment



**Promote healthy hydration as part of a healthy lifestyle**

### Our objectives

- **By 2015** – Further collaborate with governments, NGOs, academics and industry worldwide to provide a better understanding of the benefits of water as key to healthy hydration.
- **By 2015** – Define a Healthy Hydration Roadmap that will drive our strategy and performance as of 2016 and beyond.

About 20% to 30% of the water we consume comes from our food, with the remainder from the fluids we drink. Hydration levels vary depending on the person and their physical activity, health, ambient temperature, age and gender. Even mild levels of dehydration can affect how we perform mentally and physically, causing headaches, thirst, tiredness and a decrease in alertness, concentration and memory, as well as physical ability.

Nestlé also considers that plain water – whether from a tap or a bottle – should be the preferred choice for daily hydration, as it does not add any calories to diets. An [article](#) published in September 2015 based on ongoing results from the [FITS](#) (2008) in the United States indicates that only about half of toddlers (56%) and pre-schoolers (52%) met the recommendation to limit consumption of sugar-sweetened beverages. Another [recent study](#), also in the United States, has reported that 25% of all school-aged kids don't drink any plain water.

These results have shaped our approach to education on healthy hydration: we give those responsible for child health the tools and information they need to ensure that children learn about the benefits of drinking water. This includes educators and parents. An example of this is the '[Ripple Effect](#)' movement, launched by Nestlé *Pure Life*® in the United States in 2015, which makes the first ripple towards helping to keep kids hydrated by partnering with the After-School All-Stars, a leading national provider of comprehensive after-school programmes.

Nestlé is committed to encouraging debate between public and private partners. For instance, the international roundtable supported by the Sanpellegrino Group during the Milan Expo 2015 in Italy involved various stakeholders and focused on 'the hidden link' between hydration and health and the first Manifesto of Hydration.

We also continue to promote healthy hydration through long-term programmes and partnerships, such as the [Nestlé Healthy Kids Programme](#), which includes a healthy hydration component, as well as the [United for Healthier Kids](#) initiatives.

Nestlé believes that what you drink is as important to a healthy lifestyle as what you eat and how often you exercise. This belief has led us to bring together internal partners from throughout our business to define a strategy that can provide water consumption with greater focus in the public health space. This strategy will be reflected in the objectives we implement in 2016.

### Nestlé Waters Poland helps consumers choose water



Choosing water instead of sugar-sweetened beverages can reduce the intake of calories, helping consumers maintain a healthy weight. Healthy hydration is a serious issue in Poland, where 22% of schoolchildren, 49% of women and 64% of men are overweight or affected by obesity-related issues.

For this reason, Nestlé Waters Poland launched the I Choose Water initiative using the Nestlé Pure Life® brand. Developed with the Polish Dietetics Association (PTD), the campaign aims to reach as many people as possible through TV, print and digital advertising, online videos, in-store displays and leaflets, to improve their health by encouraging them to drink more water.

This campaign gathers major stakeholders such as bottled water companies and the tap water industry to speak with one voice on healthy hydration and is designed to inspire similar campaigns in other countries.

## Consuming more whole grains and vegetables

### Our commitment



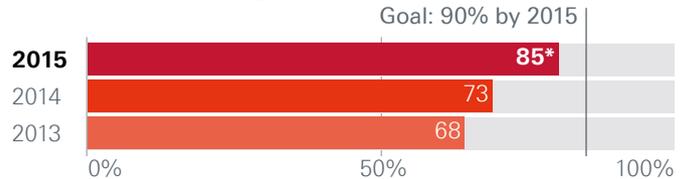
### Encourage consumption of whole grains and vegetables

Balanced diets include whole grains and vegetables, as they are excellent sources of fibre, vitamins and minerals. Nestlé is committed to encouraging the consumption of both whole grains and vegetables through cooking, and provides on-pack and online nutrition guidance to this end. Although [evidence suggests](#) increased whole grain consumption improves diet quality, [recent research](#) has shown that people are still not receiving enough whole grains in their diets. The studies show that breakfast is an important meal, providing the brain with the nutrients it needs to function and the body with better nutrition, and helping maintain a healthy body mass index (BMI). Whole grains are, therefore, a nutritious way to start the day.

### Our objective

- **By 2015** – To ensure a high nutritional content, there will be more whole grain than any other ingredient in any serving of children’s or teenagers’ breakfast cereals.

### More whole grain than any other ingredient in any serving of children’s or teenagers’ breakfast cereals (%)



\* Reduction compared to 2014 due to the adoption in 2015 of a more stringent tracking methodology for whole grains.

Through CPW, our joint venture with General Mills, we have set whole grain requirements for all of our cereal [brands](#) that are intended for children and teenagers. All Nestlé breakfast cereals that carry the Whole Grain Tick contain at least 8 g of whole grains per serving and display the Green Banner for easy identification on the shelf.

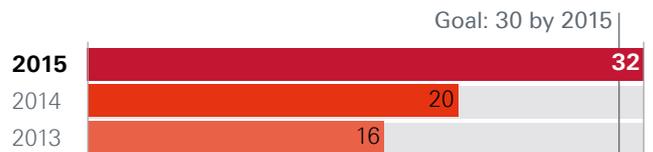
We are committed to going beyond this requirement by ensuring that there are more whole grains than any other ingredient in our children’s and teenagers’ breakfast cereals. In 2015, we began applying a new, more stringent standard for classifying whole grains as the main ingredient. Under this new standard, 85% of our cereals for children and teenagers have achieved our objective for whole grains. We will continue our work in 2016 on the remaining 15% to ensure that these too meet our high standards.

Increasing the levels of whole grains affects cereals on many levels: they change texture, taste and shelf life. For this reason, we have worked carefully to ensure that any adjustments that we have made to the whole grain levels have not adversely affected the consumer experience. We know that it can be challenging to encourage children and young people to eat a balanced breakfast, or any breakfast at all, which is why we have worked to make sure our cereals continue to deliver the taste they love.

### Our objective

- **By 2015** – Maggi Cooking Lesson Programme will be ongoing in 30 countries to promote cooking with whole grains and vegetables.

### Maggi Cooking Lesson Programme ongoing in 30 countries



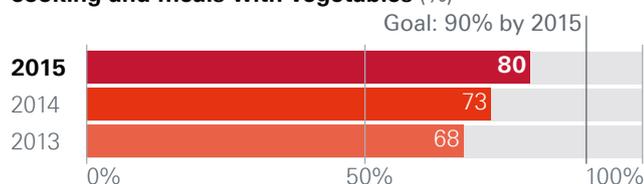
We encourage the involvement of both children and parents through the *Maggi* Cooking Lesson Programme, which provides recipes, menu ideas and practical cooking tips. Around 80% of foods and beverages in the *Maggi* portfolio promote home cooking.

During 2015, we launched the programme in the Adriatic region, Germany, Colombia, the Philippines and Australia. By the end of the year, we had surpassed our target of having the programme ongoing in 30 countries. The significant increase since 2014 is due to improved tracking and the consolidation of local programmes happening globally.

#### Our objective

- By 2015 – 90% of *Maggi* product portfolio worldwide will be promoting home cooking and meals with vegetables.

#### *Maggi* product portfolio worldwide that promotes home cooking and meals with vegetables (%)



In 2015, we continued to seek new ways to promote home cooking and meals with vegetables through our *Maggi* portfolio. One approach has been our implementation of the Kitchen Cupboard project. Through Kitchen Cupboard, we are in the process of renovating our food and beverage portfolio to increase the use of ingredients that people recognise and are familiar with – such as vegetables, spices, herbs and flours – while accelerating the removal of artificial additives. This approach is designed to build trust with our consumers, by providing transparency on what our foods and beverages are made from through information that is easy to read and understand.

The successful implementation of Kitchen Cupboard requires widespread changes to our packaging. These changes have delayed us from meeting our target for 90% of the *Maggi* product portfolio to promote home cooking and meals with vegetables. We continue to work on achieving this objective through the next year by merging it with our work on portion guidance.

## Providing nutritional information

We believe in empowering our customers to make informed choices about what they consume. We help by providing clear information about ingredients, nutritional benefits, health information and portion size on all packaging. This information must be truthful, meaningful, transparent and scientifically substantiated, and cannot mislead. We are also committed to providing Guideline Daily Amount (GDA) percentages on all packaging.

Through our portion guidance efforts, we hope to help consumers evolve their perception of portion norms, and pursue a healthy diet in terms of food and beverage quantity, frequency and quality. We put claims on our packaging where relevant and possible within local regulations; where there are no regulations, claims must follow [Codex Alimentarius Guidelines](#).

### Labelling claims

We strive to ensure that our labelling is fully accurate. This accuracy includes 'negative' claims, which focus on the absence of a nutrient, ingredient or substance that a consumer might wish to avoid in a food or beverage, such as sugar or added calories. Nestlé follows the principles for the use of absence and non-addition claims as outlined by the [Codex Alimentarius](#).

#### Our commitment



**Deliver nutrition information and advice on all our labels**

#### Our objective

- By 2016 – Make information more accessible by providing further product information and nutrition advice on pack, via Quick Response (QR) codes for smartphones.

#### Provide product information and nutrition advice on pack, via QR codes

	Websites	Brands	Countries
2015	3000	78	50
2014	2000	56	46
	Product lines	Brands	Countries
2013	160	13	36

People can learn more about what they consume through our *Nestlé Nutritional Compass*®, displayed on 92.8% of our foods and beverages by the end of 2015. The compass presents the nutritional composition of each food or beverage, offers lifestyle and nutrition tips, and provides contact details. To meet increasing consumer interest for information about the foods and beverages they consume, we have expanded the use of QR codes. Displayed on the *Nestlé Nutritional Compass*®, QR codes give users easy access to online information, enabling consumers to go beyond the label in terms of learning more about the nutritional environmental and societal aspects of the Nestlé products they consume.

## QR codes keep consumers informed in Oceania

People increasingly want to learn more about the foods and beverages they consume: not just how they contribute to a healthy lifestyle, but also how food is made and the environmental and social commitments we've made to the communities in which we operate.

Nestlé Australia and Nestlé New Zealand printed QR codes on pack, for products tailored towards children and families, at the beginning of 2014 to provide comprehensive nutritional and environmental information to consumers. Using a mobile phone, consumers can instantly access a wide range of information such as ingredient lists, allergens and environmental information on what we are doing to save water, energy and reduce waste, in the region and globally.

Implementation of the programme has been widespread, with more than 250 products such as *Maggi*, *Milo*®, *Allen's*®, *KitKat*® and *Uncle Tobys*® now carrying a QR code that contains a portfolio of stories and information instantly available to the consumer. Also incorporated into the content are myriad nutritious recipes, healthy cooking tips, videos of cooking demonstrations and advice on portion control.

While the QR code is vital in providing detailed nutritional information, it also gives us another way of sharing information on global, regional and local initiatives. For example, Nestlé Pakistan uses QR codes to connect consumers to its Sustainable Agriculture Initiative, while Nestlé Oceania makes people aware of the work we do in Papua New Guinea through the *Nescafé Plan*, helping farmers and women's groups to grow coffee.

**CHOOSE TO scan the QR code!**

Want to know more about what's in the food and beverages you buy and how they fit into a healthy diet? Now you can—just scan the QR code on many of our Nestlé products.

**STEP 1** Scan QR code with your smart phone for an easy to follow step-by-step video and more great info on the video.  
Look for the QR code on the back of Nestlé packs

**STEP 2** Download a QR Code reader on your smartphone and scan the QR Code

**STEP 3** Access more in-depth real-time information at your finger tips

Now you can access comprehensive nutritional, environmental and societal information, including recipes in seconds! When you're at the supermarket, look out for QR codes on many Nestlé food and beverage packs with more arriving all the time. Simply download the QR Code reader app and scan Nestlé packs with your smartphone or tablet to find out more!

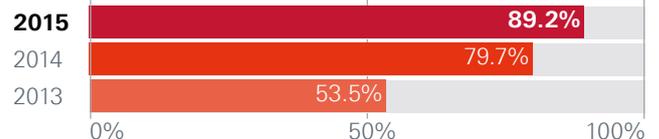
**CHOOSE WELLNESS**  
Nestlé Good Food, Good Life

## Our objectives

- By 2016 – All our relevant food and beverage products worldwide will have Guideline Daily Amount (GDA)-based labels on front of pack to inform consumers about nutritional content.

### All relevant\* foods and beverages will have GDA-based labels on front of pack (%)

Goal: 100% by 2016

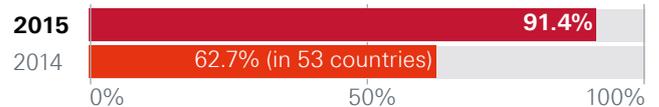


\* Products with significant everyday usage, by humans (not pets), that deliver calories and have sufficient pack surface to feature a GDA label.

- By 2016 – Introduce GDA-based labelling, based on children's reference values, to all products designed for children, where regulations allow, to help parents make better nutritional choices for children.

### GDA-based labelling introduced to all products designed for children (%)

Goal: 100% in all countries by 2016



Labels that use GDAs detail the nutritional composition of a serving of food or beverage, compared to reference daily guidelines. GDAs are divided into calories, sugars, fats and other nutrients. Due to differing regulations around the world, not all countries allow GDA-based labels to be implemented on packs.

## Guiding improved diets for children in Peru

According to research, children in Peru suffer from both under- and overnutrition, primarily due to low physical activity and poor diet. Nestlé has responded in recent years by developing and introducing children's GDAs on foods and beverages for children. Through close collaboration with public health authorities and the NRC, Nestlé Peru increased the use of GDAs from 12% of its foods and beverages in 2014 to 88% in 2015; our plan is to expand the use of GDAs across Peru. We will continue to look for additional ways to work with governments to ensure consumers have access to transparent and accurate nutrition information.

## Guiding food consumption levels

### Our commitment



#### Provide portion guidance for consumers

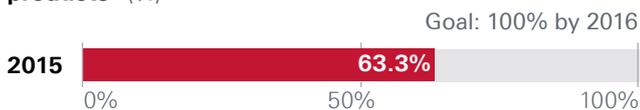
Around the world, inappropriate portion sizes are major contributors to imbalanced eating habits leading to adverse health outcomes, including obesity and nutrient shortfalls. It is widely accepted that increased portion sizes are linked to global weight gain. Recent findings suggest that, especially among children, greater levels of consumption are a consequence of repeatedly being served larger portion sizes. Another review found that reducing portion sizes in packaged foods and at fast-food restaurants is the most effective single intervention to reduce obesity.

We believe that all packaged goods and food service companies have a shared responsibility to guide consumers in making better nutrition choices. This will take time. We seek to build trust and understanding among stakeholders about our work to guide healthier portion sizes, and we welcome the contribution of others.

### Our objective

- ⊕ **By 2016** – Promote healthy portion consumption by deploying our Portion Guidance programme on 100% of our children’s and family products, and complement it with guidance in our recipe websites and nutrition education programmes.

#### Promote healthy portion consumption by deploying Portion Guidance on all children’s and family products\* (%)



\* Children’s products refer to those for which 50% or more of consumers are below 12 years of age, or are designed for or perceived as being designed for this age group. Family products are those for which 20% to 50% of consumers are below the age of 18 years.

We want to encourage consumers to adopt smaller portion sizes through Nestlé Portion Guidance, our voluntary and proactive initiative. It helps redefine typical portion size considerations, particularly for energy-dense foods and beverages. Based on dietary recommendations from around the world, Nestlé Portion Guidance is designed to link these recommendations and labelling regulations. Foods and beverages offering portion guidance represented CHF 35.6 billion in products sold in 2015.

By the end of 2015, we had deployed Portion Guidance on 63.3% of our foods and beverages for children and families. Within this group, we have focused primarily on those products that have a significant impact on children’s overall diet, such as recurring choices and indulgent foods, which

account for approximately 85% of our children’s and family products. By year end, 76.9% of these products carried Portion Guidance.

We have encountered challenges when introducing Portion Guidance, including: the difference in healthy portions for various foods and beverages across cultures; the cost and time required to change products and packaging; and ensuring that consumers are not confused by the difference between serving sizes defined by local labelling regulations and actual healthier portion recommendations.

Nestlé Portion Guidance has been developed to help consumers better understand the nutritional value of our foods and beverages. Depending on the food or beverage item, Nestlé Portion Guidance offers information in a variety of methods designed to engage the consumer, including product form, pack design, clear illustrations and, occasionally, a serving device or dispensing machine.

### Guiding portion sizes through pizza



Portion sizes matter: research shows that when larger quantities of food are served, people eat more. Nestlé has developed new tools to help educate people about what constitutes an appropriate portion size, and to help them select it. One such tool is the Nestlé Pizza Portion Guide, crafted with dietitians by Nestlé USA to help people eat healthily. The guide, which is available online, treats pizza as a ‘mixed dish’ that combines several food groups in one slice – grains in the crust, calcium-rich dairy, vegetables and protein – and suggests complementing pizza with additional vegetables and fruit.

### Helping consumers choose a better plate in the United States



The importance of eating a balanced diet cannot be overstated. As NCDs such as overweight and obesity continue to affect both developed and underdeveloped countries, guidance is required to help consumers make better decisions when it comes to choosing food. In the United States, these diseases are close to reaching epidemic proportions.



We have supported the US Government’s initiative Choose My Plate, launched in 2013, through both Nestlé S.A. and Nestlé Professional. The online tool [MyPlate](#) illustrates the five food groups that should exist within a healthy diet (fruits, vegetables, grains, proteins and dairy) in the shape of a plate. Through Nestlé Professional, we promote key ideas for Choose My Plate, such as half of the plate should be fruits and vegetables, and make half your grains whole. These recommendations also form the basis for Nestlé Professional’s recipe development.

## Helping consumers lead healthier lives

Nestlé works with partners to promote balanced diets and regular physical activity to ensure people have the support they need to live healthier lives. We communicate the importance of diet and exercise in achieving or maintaining health and wellbeing. We include healthy hydration, eating whole grains, fruit and vegetables, and daily activity as part of our core recommendations.

### Support for the elderly in Japan

Our support for physical activity is not solely focused on children. We also strive to support older family members and help them remain active as they age. Nestlé Japan, which began the Kobe Genki! Iki-Iki!! project together with the Kobe City Government in 2013, seeks to improve the quality of life of the elderly population and prevent the need for nursing care, by encouraging them to walk short distances to a café where they can chat.

Nestlé Japan is supporting this initiative by providing *Nescafé* Gold Blend barista machines for designated meeting places in the community. They also provide instructors to talk to the elderly about nutrition and teach them simple exercises that can be practised at home. The project is currently exploring opportunities to expand to other cities.

### Helping people reduce their salt intake in Central and West Africa

Nestlé is committed to boosting healthy diets and lifestyles to help people achieve and maintain a healthy body weight into adulthood by promoting the importance of a balanced diet and regular physical activity. Our latest [Healthy Living Africa](#) campaign, launched in 2015 in

Central and West Africa (CWAR), supports our nutrition, health and wellness strategy to encourage people and their families to make healthier and balanced lifestyle choices.

The campaign, which was promoted through the Nestlé CWAR [website](#) and across social media channels, encouraged consumers to eat less salt. Each week, a different theme focused on practical tips on how to reduce salt by making simple and healthy lifestyle choices. People across the region were inspired to cook with less salt, discover lower salt recipes, make smarter shopping choices and taste food before seasoning.

The campaign reached more than 11 million people via the Nestlé and CWAR Facebook account and on the Nestlé CWAR [Twitter feed](#) through the use of messages, visuals and hashtags, such as #DidYouKnow and #HealthyLivingAfrica. Posts were also promoted in both English and French to help extend its reach, achieving thousands of likes, shares and comments. Similar digital campaigns on other healthy tips and good eating habits led by Nestlé CWAR will be rolled out in 2016.



## Responsible marketing

We have a responsibility to promote our foods and beverages truthfully and reliably, enabling people who purchase them to make better-informed decisions about their own nutrition. This responsibility includes foods and beverages for all consumers, from children to adults, from infancy to ageing populations. Our policy is to market the foods and beverages designed for consumption by children carefully and with sensitivity. Nestlé is also committed to marketing breast-milk substitutes responsibly. We aim to maintain the best practices in the industry and to report transparently on our progress to further build trust in our brands and our company.

The [Nestlé Consumer Communication Principles provide the highest standards](#) on which all marketing and communication to consumers must be based. Our principles commit to the following:

- We will market our products responsibly, discouraging excessive and unbalanced consumption, with particular regard to children;
- Written, sound and visual presentations in our marketing for foods and beverages should accurately represent the material characteristics (such as taste, size and nutritional benefits) and not mislead consumers;
- All nutritional and health claims on our foods and beverages must have a sound scientific basis;
- The appropriate portion size for our foods and beverages must be presented;
- Foods and beverages not intended as meal substitutes must not be presented as such; and
- Foods and beverages must be presented in the context of a balanced diet.

We support healthy, active lifestyles and balanced diets for all of our consumers, and our advertising states clearly that we will not use extremely thin or obese people as role models. Our commitment not to mislead about our foods and beverages includes potential benefits, such as status or popularity, physical growth, strength or ability. This includes all marketing involving celebrities.

Our marketing spend centres on those products that meet our [60/40+ programme](#), which ensures that at least 60% of test groups prefer our food or beverage when compared to a competitor's product.

Two particular areas of concern for the marketing our foods and beverages are:

- [Breast-milk substitutes](#); and
- [Children](#).

## Responsible marketing of breast-milk substitutes

### Our commitment



**Market breast-milk substitutes responsibly**

### Our objectives

- **Ongoing** – Continue to strengthen our practices to ensure the Nestlé Nutrition business consistently meets the FTSE4Good Index breast-milk substitute criteria.
- **Ongoing** – As part of our ongoing efforts to promote good nutrition in the first 1000 days of life and support breastfeeding, report publicly on our progress regarding the responsible marketing of breast-milk substitutes.
- **By 2015** – Continue to strengthen our practices to ensure both Nestlé Infant Nutrition and Wyeth Infant Nutrition consistently meet the FTSE4Good Index BMS criteria.

We believe breast milk is the best nutrition for infants. This is why we promote the World Health Organization's recommendation to exclusively breastfeed infants for the first six months of life, followed by the introduction of adequate nutritious complementary foods – along with continued breastfeeding – up to two years and beyond. For more on our approach to infant nutrition, see [Nestlé Start Healthy Stay Healthy](#).

We work closely with the public sector and civil society, and seek to play a leading role to support countries' efforts to promote a conducive environment for breastfeeding.

## World Breastfeeding Week

### Breastfeeding and Work 1-7 August 2015

#### Nestlé's Maternity Protection Policy



#### What is it?

The most progressive program of its kind in the Food and Beverage industry to promote breastfeeding in the workplace and support gender equality

#### What does it provide?

	Maternity protection for all primary caregivers of newborns, including fathers and adoptive parents a. At least 14 weeks paid maternity leave b. Right to extend maternity leave up to 6 months
	Employment protection and non-discrimination
	Healthy work environment
	Flexible work arrangements

We also actively encourage breastfeeding in our own facilities. Our support for breastfeeding is reflected in our global [Maternity Protection Policy](#), published in 2015, which allows female employees to take up to six months' maternity leave (including a minimum of 14 weeks' paid leave). In addition to enabling flexible working time and breastfeeding breaks, the policy also promotes a [conducive environment to breastfeed](#), which includes a network of more than 277 breastfeeding sites in our workplaces around the world. We will continue to equip all our offices and sites that have more than 50 female employees with breastfeeding rooms by 2018. When mothers are unable to breastfeed as recommended, infant formula, the only suitable breast-milk substitute (BMS) recognised by the WHO, is key to providing infants with the essential nutrients they need to grow and develop.

Nestlé is committed to marketing its BMS responsibly. We invest substantial resources to ensure our marketing practices comply with the aim and principles of the [WHO's International Code of Marketing of Breast-milk Substitutes](#) (the WHO Code) and subsequent relevant [World Health Assembly](#) (WHA) resolutions. Our actions rely on five key pillars:

- [Compliance](#);
- [Good governance](#);
- [Transparency](#);
- [Constructive engagement](#); and
- [Continuous improvement](#).

#### The WHO Code

The International Code of Marketing of Breast-milk Substitutes, also known as the WHO Code is a set of recommendations for member states of the World Health Organization. The WHO Code aims to contribute to the provision of safe and adequate nutrition for infants through the protection and promotion of breastfeeding, and by ensuring the proper use of BMS, when these are necessary, on the basis of adequate information and thorough appropriate marketing and distribution. The WHO Code was introduced in 1981 in response to the concerns being raised about the marketing of BMS in developing countries.

According to [the WHO](#), only 37 out of 199 member states had passed laws reflecting all the recommendations made to them under the WHO Code by 2011. This results in a highly complex regulatory environment for companies and can lead to misunderstanding and differences in interpretation about the application of the WHO Code.

#### Compliance

We have publicly committed to market BMS responsibly and to comply with the WHO Code as implemented by national governments everywhere in the world. We voluntarily apply our own stringent [Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes \(the Nestlé Policy\)](#), when it is stricter than the national code, in 152 countries where children are considered to be more vulnerable or at a higher risk of infant mortality and malnutrition. Higher-risk countries are those where, for children under five, the mortality rate is more than 1%, or the level of acute malnutrition is higher than 2%. The application of the Nestlé Policy is necessary as a number of these higher-risk countries have not adopted legislation implementing all the articles and resolutions under the WHO Code.

As a minimum in these higher-risk countries, Nestlé:

- States that breast milk is best for babies on infant product labels, which are provided in the relevant local languages;
- Presents preparation instructions graphically and warns mothers of the consequences of incorrect or inappropriate use of infant formula; and
- Takes disciplinary measures against any Nestlé personnel who deliberately violate the Nestlé Policy.

As a minimum in these higher-risk countries, Nestlé does not allow the following:

- Advertising of infant and follow-on formula (for babies under 12 months of age);
- Marketing of complementary foods for infants younger than six months;
- Use of pictures of babies on infant formula packs;
- Supply of free infant formula to healthcare facilities for use by healthy new-born babies, nor free samples to mothers; and
- Giving of incentives to health workers for promoting Nestlé products.

Compliance with the Nestlé Policy, national regulations for implementing the WHO Code and the FTSE4Good BMS marketing criteria are verified by three key mechanisms, as outlined below:

### Internal audits

In 2015, our practices were audited by corporate auditors based at Nestlé headquarters (as part of the Nestlé Group Audit and by auditors in 40 countries. Our annual compliance reports are made available [online](#).

### External audits by Bureau Veritas

Bureau Veritas, a global leader in Testing, Inspection and Certification (TIC), is commissioned by Nestlé to audit our BMS marketing practices in two to three countries per year. In 2015, Bureau Veritas conducted independent audits in Peru, Pakistan and Egypt. The Bureau Veritas Assurance Statements of these audits are published and made available [online](#).

### FTSE4Good Index verification process

The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices and is published by FTSE Russell – a member of the London Stock Exchange Group. It is one of the very few mechanisms to have developed clear criteria to assess the marketing practices of BMS manufacturers. Infant formula manufacturers included in the index must undergo external and independent verification of their practices in two countries every 18 months. In addition, every six months they must report on the progress made on the findings of the verifications to an expert committee.

Since 2011, Nestlé has been the only infant formula manufacturer included on the index. It is our hope that other companies will seek inclusion by joining the effort to ensure industry-wide progress on the responsible marketing of BMS. We believe that the public and private sectors, as well as civil society, have a role in encouraging other companies to seek inclusion.

Maintaining our inclusion on the FTSE4Good Index is a key objective. The lessons from the FTSE4Good verifications help us strengthen our marketing practices of BMS.

These audits are complemented by the availability of [internal and external grievance mechanisms](#), which enable Nestlé employees and external stakeholders to report any allegation of non-compliance.

We invite all interested parties to consult the [public reports](#) of these verifications, which are evidence of our commitment to transparency and continuous improvement.

In 2015, 36 contraventions of the Nestlé Policy were revealed through audits<sup>1</sup>.

### Training our employees

We require our employees working in infant nutrition to fully understand the importance of promoting and protecting breastfeeding, as well as complying with the Nestlé Policy (see [Compliance](#)). In 2015, 100% of our staff involved in the marketing of infant formula were trained on the importance of the WHO Code.

Our employees are tested regularly on their knowledge of national legislation pertaining to the responsible marketing of BMS and on the Nestlé Policy on the WHO Code. The results are taken into account when evaluating individual performance. Disciplinary actions, including termination of employment, are applied to employees who commit deliberate or serious violations of our policies.

 [Read more](#) about our [training programmes](#).

### Training distributors and third-party suppliers, and informing retailers

Ensuring that all of the marketing of our BMS complies with national regulations and our Nestlé Policy presents numerous challenges, such as reaching out to millions of distribution points, which are often small outlets with whom we have no direct commercial relationship. We do our utmost to make sure that all third parties with whom we have a contractual relationship comply with our Nestlé Policy on the WHO Code.

Our work in this area includes:

- A clause in all formal agreements and contracts with third parties stating that, in higher-risk countries, sales of Nestlé BMS products should comply with local legislation regarding the marketing of BMS, or the Nestlé Policy when it is stricter;
- Developing guidelines on compliance with the Nestlé Policy and issuing them to distributors and retailers;
- Encouraging our distributors and customers to share our guidelines with their clients;
- Training our distributors on the Nestlé Policy; and
- Informing retailers of our requirements related to compliance with the Nestlé Policy and national regulations.

Although we do our utmost to ensure that third-party retailers follow our policy, our sphere of control is restricted as we must also respect local anti-trust and commercial laws. This limits our influence over how BMS are sold by independent parties with whom we do not have a commercial relationship.

### Good governance

We have an extensive range of governance mechanisms to help ensure all our operations comply with:

- National regulations on implementing the WHO Code;
- Our own Nestlé Policy on the WHO Code; and
- The FTSE4Good BMS criteria.

These mechanisms rely on the three practices set out on following page.

<sup>1</sup> Based on Internal Audits conducted by corporate auditors and External Audits conducted by Bureau Veritas. Final number of contraventions could change as the findings of verifications which took place at the end of 2015 are still being assessed.

## Cross-functional WHO Code Compliance Committees

We have put in place a Corporate WHO Code Compliance Committee system, which oversees compliance with the Nestlé Policy on the WHO Code, national regulations on implementing the WHO Code and the FTSE4Good criteria. The committee is composed of, among others, three Executive Board members at the global level. In addition, all higher-risk countries have established local WHO Code Compliance Committees that meet regularly to oversee local compliance with the Nestlé Policy and local regulations. Read more about our [governance systems](#).

## Policy setting

The Nestlé Nutrition CEO, who is a member of our Group Executive Board, is accountable for implementing and monitoring Nestlé's compliance with the aim and principles of the WHO Code. Global Public Affairs, which is separate from the infant nutrition business, generates policies and reports externally on progress regarding the application of the Nestlé Policy.

## Grievance systems

In addition to the numerous internal and external audits of our practices each year, we recognise the importance of responding to the concerns consumers and other stakeholders may have about the marketing of our infant food and BMS. Our monitoring is complemented by internal and external grievance mechanisms, which enable both our employees and our external stakeholders to report any alleged non-compliance:

- **WHO Code Ombudsperson System:** we continuously strengthen our internal WHO Code Ombudsperson System, which we launched in 2001. It allows employees in higher-risk countries to report concerns about our infant food marketing practices confidentially, outside their line management. Any employee can report allegations or concerns about WHO Code compliance directly to the Group Ombudsman. In 2015, Nestlé had 57 active WHO Code Ombudspersons;
- **Nestlé Integrity Reporting System:** this WHO Code Ombudsperson approach is supported more widely by the [Nestlé Integrity Reporting System](#), which enables all employees to anonymously report any non-compliant behaviour they observe; and
- **Tell us system:** we encourage all our stakeholders to contact us if they have any questions or concerns regarding the marketing of our BMS products. We investigate all concerns and allegations about non-compliance with the Nestlé Policy and/or national regulations implementing the WHO Code. Our [Tell us system](#), launched in January 2014, provides all external stakeholders with a means to report potential violations via the [internet](#) or by toll-free line.

 **Read about** how we encourage stakeholders and the general public to [express their concerns](#).

## Transparency

We believe transparency is key to building trust. This is why we make the following information public:

- Our external reports of [compliance](#) with the Nestlé Policy on the WHO Code, national regulations implementing the WHO Code and the FTSE4Good's BMS marketing criteria;
- Our responses to [external stakeholders](#) who raise concerns directly with us regarding our BMS marketing practices;
- Our [positions on maternal, infant and young child nutrition](#); and
- A comprehensive [Q&A section](#), addressing questions on why Nestlé supports breastfeeding and the application of [the WHO Code](#), and an explanation of what [FTSE4Good is](#).

Our progress on compliance with the Nestlé Policy on the WHO Code, national regulations implementing the WHO Code, and FTSE4Good BMS marketing criteria, can be measured through the Annual External Report as well as the assurance statements produced by Bureau Veritas and the verification reports from PricewaterhouseCoopers (PwC), which we publish online, as evidence of our commitment to transparency.

We also make public our response to concerns regarding our practices raised directly with us by external stakeholders, such as those contained in the reports *Breaking the Rules, Stretching the Rules* (2014), published by the International Baby Food Action Network (IBFAN), and *Superfood for Babies* (2012), published by Save the Children.

We are committed to making our positions on maternal, infant and young child nutrition publicly available:

- [Position statement on WHO maternal, infant and young child nutrition \(MIYCN\) implementation plan \(2012\)](#);
- [Position statement on promoting health through the course of life \(2013\)](#); and
- [Position statement on WHO reform: governance reforms engagement with NGOs \(2013\)](#).

## Engaging constructively with stakeholders

We consider collaboration between all key stakeholders, including governments, industry and civil society organisations, essential to promoting responsible conduct and establishing accepted standards for assessing the marketing of BMS. We encourage active and constructive engagement and when doing so we follow the [Nestlé Policy on transparent interaction with authorities and organisations](#).

It is our hope that all concerned stakeholders can come together to establish a widely accepted and transparent process for the assessment of industry-wide marketing practices of BMS, as a means to raise industry standards.

## NGOs

Through our annual stakeholder meetings, we seek constructive dialogue with a variety of NGOs and interest groups on the topic of maternal, infant and young child nutrition.

We also aim to work constructively with concerned stakeholders. We are hopeful that a fact-based and constructive dialogue, which keeps the health of children at the centre of the discussion, will help us achieve our goal of contributing to the optimal health and nutrition of mothers, infants and young children.

## Participation in industry associations

Nestlé is a member of different national and regional industry associations around the world dedicated to specialised nutrition in the countries where they operate. Some of these associations are members of the [International Special Dietary Foods Industries \(ISDI\)](#), which promotes high standards in the production and trade of special dietary foods. We have been active in ISDI since its foundation.

## Governments and international organisations

We work with national and international health organisations that support the aim and principles of the WHO Code. We also collaborate in the development of robust and widely accepted methodologies that will independently and transparently assess the marketing practices of BMS manufacturers.

We aim to:

- Encourage detailed R&D into infant and young child nutrition;
- Help increase public awareness of sound infant feeding practices;
- Promote balanced legislation and science-based regulation at national, regional and international level; and
- Provide constructive comments to further improve and align methodologies to assess BMS marketing practices.

## Continuous improvement

In recent years, we have focused on improvement in the following areas:

- **Reinforcing our policies:** in line with the [WHO Guiding principles for feeding infants and young children during emergencies](#), we published our global Instructions on Donations and Low-cost supplies of Infant Formula and Formula for Special Medical Purposes intended for Infants for use in Emergencies, in 2015.
- **Strengthening our compliance reporting process:** compliance is one of the highest priorities for our company, which is why we've strengthened the internal reporting mechanism between our markets and the corporate headquarters. The results of our internal compliance monitoring are reported annually to our Board of Directors. We have reinforced our internal audit mechanisms to ensure that compliance with the relevant policies and guidelines on the responsible marketing of BMS is systematically part of the verification and is reported to our headquarters (see [Compliance](#));

- **Removing branded cabinet displays:** since 2013, more than 3600 display cabinets for BMS have either been removed from the trade or modified to ensure that they comply with our Display Cabinets Guidelines; and
- **Expanding training of employees:** starting in 2014, existing training initiatives were further complemented by the roll-out of the Nestlé Nutrition global online training programmes, which include specific modules on the fundamentals of breastfeeding, the WHO Code, the Nestlé Policy and the FTSE4Good BMS marketing criteria. In 2015, we trained a further 3090 people, including new Nestlé Nutrition employees and those that were not trained during 2014 for technical reasons (see [Training our employees](#)).

## Responsible marketing to children

### Our commitment



Ensure responsible marketing communication to children

### Our objectives

- **By 2015** – Implement a strengthened *Nestlé Marketing Communication to Children Policy*.
- ⊕ **By 2017** – In support of the implementation of the *Nestlé Marketing Communication to Children Policy*, we will roll out a targeted training for our marketing teams globally.

We define children's products as those for which 50% or more of the consumers are below 12 years old, while those for teenagers are for consumers below 18 years old. As of January 2016, Nestlé has implemented its revised [Policy on Marketing Communication to Children](#) (Nestlé Policy). Key changes include:

- EU Pledge criteria serve as a global reference;
- No marketing to children of biscuits, sugar or chocolate confectionery;
- Qualitative assessment (creative execution, licensed characters);
- Sales in schools restricted to products meeting the nutrition criteria; and
- Affect all channels including TV, radio, print, social media, outdoor, contests, promotions, events and sampling.

Nestlé has been a firm proponent of responsible marketing to children since the launch of its Communication Principles in 2002, and was a founding member of the [International Food and Beverage Alliance \(IFBA\)](#). In 2012, we were instrumental in the adoption of shared [nutritional criteria](#) by [EU Pledge](#) members. In turn, we have used these criteria as the basis for our revised [Nestlé Policy](#).

## The EU Pledge

Launched in December 2007, the EU Pledge is a voluntary initiative by leading food and beverage companies to change food and beverage advertising to children under the age of 12 in the European Union. It consists of two main commitments:

- No advertising for food and beverage products to children under the age of 12 on TV, print or the internet, except for products which fulfil common nutritional criteria; and
- No communication related to products in primary schools, except where specifically requested by, or agreed with, the school administration for educational purposes.

These are minimum common standards that enable joint monitoring and accountability. Individual companies can apply corporate standards that go above and beyond these common rules.

Through our new Policy, which was communicated to markets during 2015 and launched in January 2016, we apply the EU Pledge criteria globally. Where local or regionally agreed pledges criteria are stricter, they are applied. If criteria are lacking for a product category in the EU Pledge, we apply our [NNPS criteria](#).

It is important that our marketers are aware of the impact that our [Nestlé Policy](#) has on the communication of the foods and beverages we sell. We will seek to continuously increase knowledge and awareness of the criteria across our organisation, and we are currently developing a web-based tool to support internal understanding of responsible marketing practices among our marketers and external agency partners.

We want our children's brands to be responsibly communicated to parents and children, providing a source of enjoyment with foods and beverages they can trust. When it comes to marketing confectionery, we aim to ensure that we avoid placing marketing communications in media where 35% of the audience is under 12 years old, and we do not create marketing of primary appeal to children under that age. We will apply global confectionery guidelines and checklists that our marketing departments can use to ensure material that they have created meets the standards required.

The marketing to children criteria can have a direct impact on how we develop our foods and beverages, as well as our associated marketing practices. As an example, we have recently been engaged in renovation work in the ice cream sector. Currently, 85% of our global children's ice cream portfolio meets EU Pledge nutritional criteria, which caps children's products at 110 calories. We plan to accelerate reformulation of the children's ice cream portfolio in the other countries where we operate to achieve 80% by the end of 2016.

Our [Nestlé Policy](#) states we will only use owned or licensed characters appealing to children aged between 6 and 12 to promote healthy, active lifestyles. Licensed characters that could appeal to children under 12 cannot be used for foods and beverages where they do not meet the EU Pledge nutritional criteria.

A key element of our global [Nestlé Policy](#) is that we do not conduct marketing communications in schools, except for educational purposes that have been explicitly requested by school authorities. This exception is only valid for students aged 6-12 years old. In addition, our internal guidelines state that any outdoor communication material that is placed within 50 metres of a kindergarten, primary school or playground must only advertise foods and beverages that are nutritionally compliant with our policy.

Both the Nestlé Communication Principles and the [Nestlé Policy](#) clearly reference support for parents and the promotion of healthy diets and lifestyles.

We remain open to comments and complaints from consumers and external stakeholders. [Tell us](#) provides a formal mechanism for receiving, processing, investigating and responding to complaints from customers and the general public about our policies and practices. Any complaint from customers and the general public about content and visuals relating to children will be received, processed, investigated and responded to. One complaint about our marketing practices (on gender discrimination) was received through Tell us in 2015. The complaint was investigated but not upheld. No complaints were received on our marketing to children.

## Making voluntary commitments

Our policies are guided by a series of global, regional and national commitments and pledges that aim to establish industry consensus on minimum standards for marketing to children.

### IFBA commitment

As a member of the IFBA, Nestlé is committed to complying with the IFBA [Global Policy on Advertising and Marketing Communications to Children](#) (IFBA Global Policy). Each year, [IFBA engages a third party to monitor and report publicly on members' compliance with its policy](#).

The monitoring system ensures that children under 12 are not targeted by non-compliant communications. We have been successfully tracking compliance in previous years with the 35% threshold in traditional media (TV, radio and print) through internal auditing and external monitoring, the latter conducted by Accenture.

In 2015:

- 71 Nestlé print publications were assessed in Singapore, China, Brazil, South Africa and Russia;
- 355 television adverts were reviewed in Brazil, Colombia, Indonesia, Malaysia and South Africa, with an overall compliance rate of 97%; and
- 83 websites were reviewed in four countries.

In Europe, social media is externally monitored by the European Advertising Standards Alliance (EASA). Internally we also review our marketing content to ensure the more subjective elements that appeal to children are taken into account.

### National and regional pledges

National and regional pledges, based on the IFBA Global Policy, have been launched around the world by food companies to ensure products advertised to children meet the same standard to promote balanced diets and healthy, active lifestyles. They will also enable the monitoring of both compliance and impact at a local level. To date, we have signed voluntary pledges on the marketing of foods to children covering more than 46 countries, while other countries have codified our pledges into national legislation.

#### Poland's national pledge

The EU Pledge was implemented in Poland in 2010 by the [Polish Federation of Food Industry](#), in partnership with the national Advertising Council. Since this implementation, Nestlé has played a key role in ensuring that the Pledge has been taken up throughout the food industry. As a founding member of the same federation and council, our experts have driven for consensus and helped build dialogue between the industry, authorities and other stakeholders.

The number of compliant companies and adverts has increased significantly since the EU Pledge was implemented. In 2015, the National Broadcasting Council found that no products had failed to meet the nutritional criteria for advertising.

As part of the latest stage of the implementation, strict rules came into force in 2015 regarding advertising to children under 12 years old. Under these regulations, each advert intended for broadcast in a TV show aimed at children younger than 12 has only been allowed if it meets the Pledge's nutritional criteria. This regulation was made possible through an agreement across all Poland's TV networks regarding adverts for this age group.

# Rural development

To produce our foods and beverages we rely on secure, long-term supplies of raw materials from millions of farmers worldwide. The farmers and their many workers are critical to our success. By understanding and managing where and how our ingredients are produced, we can promote better agricultural practices, support rural development in line with local priorities, and address supply chain issues from gender inequality to deforestation. In this chapter, we reaffirm our Responsible Sourcing commitments, guidelines, policies and standards. The scope of this chapter, however, excludes [Nestlé Nutrition](#), [Nestlé Health Science](#) and [Nestlé Skin Health](#).



## 760 000

The number of farmers supplying directly to Nestlé.



## CHF 33 million

Total value of financial services and assistance offered to farmers worldwide, of which CHF 28.9 million was direct financial assistance.



## 10 950

The number of Tier 1 suppliers audited from 2010–2015.



## 82%

Share of our suppliers who fully comply with the Nestlé Supplier Code.



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## Our role in rural development and responsible sourcing

As a global company, Nestlé has a significant direct and indirect economic impact across our value chain, around our factories and particularly through our supply chain. Our approach to Creating Shared Value is perhaps most evident in the area of rural development, focusing on the rural communities around the world from which we source agricultural raw materials.

Millions of farmers depend on our business for their livelihoods. More than 760 000 supply us directly or through co-operatives and collection centres, while others are part of longer supply chains. The wellbeing of these farmers, small-scale entrepreneurs, suppliers and rural communities is intrinsic to securing global food supplies, while delivering our own growth strategy.

### The year in brief

#### Challenges

##### Farming seen as not attractive

Rural communities need to be more attractive places in which to live, work and invest. Farming needs to be seen as a business and a livelihood of choice that offers opportunities for societal advancement.

##### Low productivity

Bringing about real change at a farm level provides many challenges, from checking that farmers act on our training and advice, to ensuring they have access to credit.

##### Supply chain complexity

Many of our supply chains are complex, which makes tracing raw materials a challenge.

#### Actions

##### Rural Development Framework

Through the framework we have identified eight core areas that we believe are important elements of rural development.

##### Farmer Connect

Our Farmer Connect programme supports farmers through local sourcing and assistance, training, developing alternative income streams and supporting women and young farmers.

##### Publishing progress reports

We publish category-specific reports throughout the year, detailing the progress we are making in the responsible sourcing of our priority raw materials.

#### Achievements

We have completed 11 baseline assessments so far, to help us ascertain current conditions and design appropriate interventions.

400 000

Farmers accessing training through our capacity-building programmes.

54%

Percentage of high-priority raw materials categories that was traceable back to the primary source (e.g. plantation or farm) and/or had their supply chains mapped.

Nestlé recognises that loyalty between farmers, suppliers and the company is supported and enhanced by investments along the value chain – for example, the provision of improved planting materials, training programmes and technical support. For a number of years, we have engaged heavily in rural development through schemes such as [Farmer Connect](#) and the [Sustainable Agriculture Initiative at Nestlé \(SAIN\)](#).

It is increasingly evident, however, that in addition to supporting farmers within the supply chain, we need to facilitate progress on broader aspects, such as women's empowerment, nutrition, and access to clean water and adequate sanitation. This support helps to create the circumstances that allow farmers to pursue their livelihoods by choice, and strengthens the communities in which they live.

Now, to guide us further, we have developed a diagnostic tool and process – the Rural Development Framework – to help us align our business activities with local priorities. We continue to share our progress on supplier assessments and traceability activities; and on our bespoke coffee and cocoa plans for improving the lives and social conditions of farmers and the quality of their crops.

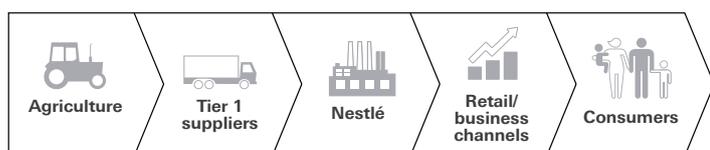
We recognise that the boundaries between the roles and responsibilities of governments and those of companies are becoming increasingly blurred. To support rural development, we continue to work cooperatively with a range of partners at national and international levels.

 **See also:** [Human rights and compliance](#).

## Material issues

Nestlé uses a formal [materiality process](#) to identify the most important issues for our stakeholders and our business. The results are communicated in a [materiality matrix](#). Our material issues are also considered and mapped with regard to their degree of importance in different parts of the Nestlé value chain. In the value chain, 'Agriculture' includes smallholder farmers with whom we do not have direct relationships and 'Tier 1 suppliers' refers to those suppliers in direct commercial relationships with Nestlé.

### The Nestlé value chain



Each material issue is made up of a number of sub-issues, which are highlighted during the research process. They are used as a lens to help define the scope of analysis. In this section, we have provided a synthesis of the findings related to rural development.

Five material issues fell under the banner of rural development and responsible sourcing that were rated as being of concern to our stakeholders and of strategic importance to our business: **rural development, traceability, farm animal welfare, community development and unemployment, and women's empowerment.**

These issues are critical to our responsible sourcing of agricultural raw materials. Our stakeholders expect us to meet the highest standards of farm animal welfare and traceability, and to ensure that ingredients have been grown and processed responsibly and can be traced back to origin. They see work on rural development as important to improving livelihoods and promoting sustainable agricultural communities.

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/business channels	Consumers
	<b>KEY:</b> ● Moderate ● Significant ● Major				
<b>Rural development</b>					
Directly and indirectly promoting economic activity and improving livelihoods of agricultural workers in the supply chain to promote sustainable agricultural communities.	●	●	●	●	●
<b>Sub-issues defined</b>					
<ul style="list-style-type: none"> <li><b>Rural living wage:</b> ensuring farmers and agricultural workers are paid enough to maintain a decent standard of living, adequately covering the costs of food, shelter, and other necessities for oneself and one's family.</li> </ul>					
<b>Traceability</b>					
Ensuring that priority ingredients have been grown and processed responsibly and can be traced back to origin where possible.	●	●	●	●	●
<b>Animal welfare</b>					
Safeguarding the wellbeing of animals in the supply chain and promoting farm animal health and welfare.	●	●	●	●	●
<b>Women's empowerment*</b>					
Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community.	●	●	●	●	●
<b>Sub-issues defined</b>					
<ul style="list-style-type: none"> <li><b>Women farmers:</b> protecting the rights of women in the agricultural labour force and improving their access to and ownership of agricultural resources and inputs.</li> </ul>					

Indirect economic impacts G4-DMA, Procurement practices G4-DMA, G4-EC9, Supplier assessment for labor practices G4-DMA, Investment G4-DMA, Supplier human rights assessment G4-DMA, Local communities G4-DMA, G4-SO1, G4-SO2, Animal welfare G4-DMA, Supplier assessment for impacts on society G4-DMA

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/ business channels	Consumers
<b>Community development and unemployment*</b>					
<p>Improving people’s lives through community and societal participation and improving access to employment, education and skills development.</p> <p><b>Sub-issues defined</b></p> <ul style="list-style-type: none"> <li>• <b>Community relations:</b> positively engaging with communities in areas of operation.</li> <li>• <b>Income and wealth inequality:</b> working to close the gap in the distribution of income, wealth and assets.</li> <li>• <b>Living wage:</b> ensuring those in work are paid enough to maintain a decent standard of living, adequately covering the costs of food, shelter, and other necessities for oneself and one’s family.</li> <li>• <b>Youth unemployment:</b> tackling the number of young people not in employment, education or training.</li> </ul>	●	●	●	●	●

\* These issues have sub-issues that are shared across Rural development and Our people.

## Our commitments

Our public commitments reflect our business’s key material issues, and enable stakeholders to challenge us about our performance and the ways in which we address the issues we face. Our commitments in the areas of rural development and responsible sourcing are to do the following:

- [Roll out the Rural Development Framework to understand the needs of farmers;](#)
- [Implement responsible sourcing in our supply chain;](#)
- [Continuously improve our green coffee supply chain;](#) and
- [Roll out the Nestlé Cocoa Plan with cocoa farmers.](#)

These formal commitments have been translated into a number of operational priorities. Key performance indicators track our impacts on farm economics, women’s empowerment, labour standards, nutrition, water and sanitation.



The sustainable development of agriculture has to be a central pillar in the endeavour to achieve food and nutrition security. All actors in the food value chain, starting with farmers, must be involved.”

**Paul Bulcke, Chief Executive Officer, Nestlé**

Our progress against the commitment objectives is indicated throughout the chapter using the following icons:

- Achieved
- ◐ In progress
- ◑ Not yet achieved
- ⊕ New objective

## Governance and management systems

Strategic responsibility for Nestlé’s rural development activities and procurement lies with Magdi Batato, the Executive Vice-President of Operations, while final accountability rests with the Executive Board and the CEO.

The operational strategy for rural development is chiefly delivered by the Corporate Agriculture Team through a network of sourcing staff and extension workers in the supply chain. Responsible Sourcing, including farm animal welfare, is jointly delivered by Corporate Procurement and Corporate Agriculture.

### Farmer Connect and direct sourcing operations

Each business unit takes overall responsibility for local rural development activities in its own area. As appropriate, the [Rural Development Framework](#) may be used to help inform where interventions are needed.

As well as our in-house expertise, we also call on the advice and capabilities of partners at different stages of the supply chain, to assist us with tracing, assessing and monitoring activities. This includes a [website](#) and toll-free helpline that suppliers and farmers can use for reporting violations of regulations, laws and the Nestlé Supplier Code anonymously and confidentially.

## Responsible sourcing through our procurement activities

The [Nestlé Supplier Code](#) sits at the heart of every business relationship with our suppliers. The code reflects our commitment to conducting our business activities in full compliance with applicable laws, and to being guided by integrity and honesty. It sets out the non-negotiable minimum standards and best practices that we require our suppliers and their own suppliers – right down to the individual farm level – to respect and adhere to when doing business with us. Simple pictorial versions of the code are made available to overcome variations in language and literacy levels.

Implementation of the Supplier Code's requirements is embedded into our internal procurement procedures and objectives, using approaches that are tailored to the nature of the supply chain, the type of supplier and our commercial relationship with them. However, as each supply chain has its own characteristics and issues, we've also developed the [Nestlé Responsible Sourcing Guideline \(RSG\)](#), along with category-specific requirements for our priority ingredients and materials. The guideline helps our suppliers improve practices, where necessary, at farm or plantation level, with Nestlé's requirements often going beyond legal or international requirements.

The guideline follows four general principles:

- Suppliers are expected to engage in a process of continuous improvement;
- Suppliers should conduct their business with Nestlé in an open and transparent way;
- Nestlé will support suppliers not yet able to comply with all aspects of the RSG, but who are committed to becoming compliant over time and demonstrate continuous, tangible progress; and
- Suppliers are to continuously monitor and verify their performance and progress, complying with independent assessment where necessary.

## Our policies and standards

Rural development is one of three priority areas for our business, as highlighted in the [Nestlé Corporate Business Principles](#), which lay the foundations for everything we do. The relevant principle states:



We contribute to improvements in agricultural production, the social and economic status of farmers, rural communities and in production systems to make them more environmentally sustainable.”

### *Nestlé's Corporate Business Principles*

Our ambitions to support rural development are set out in the [Nestlé Commitment on Rural Development](#), and are consistent with the UN Sustainable Development Goals (also known as the Global Goals) on poverty and hunger, nutrition, education, gender equality and environmental sustainability.

In addition, the [Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin](#) applies to the upstream value chain back to the primary production level. As part of our drive to 'remove the worst, promote the best and improve the rest', its principles span continuous improvement, transparency along the value chain, supplier accountability and support, and credible verification.

The Nestlé Supplier Code sets out the non-negotiable minimum standards and best practices that we require our suppliers and their own suppliers – right down to the individual farm level – to respect and adhere to when doing business with us. Implementation of the Supplier Code's requirements is embedded into our internal procurement procedures and objectives. In addition, the Nestlé RSG helps our suppliers to improve practices, where necessary, at farm or plantation level, and ensure they meet or exceed internationally recognised standards.

To maintain best practice, all our teams are guided by a series of policies, procedures and documents, including:

- [The Nestlé Commitment on Rural Development](#);
- [The Nestlé Supplier Code](#);
- [Nestlé's Responsible Sourcing Guideline](#);
- [The Nestlé Commitment on Natural Capital](#);
- [The Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin](#);
- [The Nestlé Commitment on Farm Animal Welfare](#);
- [The Nestlé Commitment on Land & Land Rights in Agricultural Supply Chains](#);
- [The Nestlé Commitment on Child Labour in Agricultural Supply Chains](#);
- [The Nestlé Commitment to reduce food loss and waste](#); and
- [The Nestlé Commitment on Labour Rights in Agricultural Supply Chains](#).

Our commitment documents, derived from these policies and procedures, provide accessible information on the specific pledges we have made about key issues, such as farm animal welfare and labour rights.

## Engagement and collaboration

As well as focusing on delivering our rural development agenda, we engage with stakeholder groups to foster a supportive policy environment that will facilitate progress towards our commitments.

Our employees work with many external partners in rural areas to deliver development activities, depending on the particular set of skills and knowledge that is needed. Strong partnerships with governments are particularly important as they set the regulatory framework, and provide the goods and services to support rural development. We increasingly recognise the need to work closely with them to share knowledge and gain understanding, particularly at a technical level.

Examples of our activities include:

- The *Nespresso* AAA Farmer Future Program (see case study), an initiative to broaden the AAA Sustainable Quality™ Program's social scope beyond farm level and enhance farmer welfare through the creation of a retirement savings plan;
- Engaging in the [IDH Sustainable Coffee Program](#) (SCP), a public-private consortium of coffee industry representatives, trade and export partners, civil society organisations, governments and standards bodies that aims to address underinvestment, poor production practices and adverse climatic conditions in a pre-competitive manner. By aligning efforts, knowledge, standards and financial instruments, the SCP is helping develop country-specific approaches to sustainable coffee production, and to help millions of coffee farmers become more resilient;
- Co-founding the Partnership for Indonesia Sustainable Agriculture (PISAgro), a public-private partnership established by the Government of Indonesia, along with business and civil society stakeholders; and
- Co-founding the World Economic Forum's (WEF) New Vision for Agriculture. The partnership works to achieve goals around food security, economic opportunity and environmental sustainability in Indonesia and the region.

## Rural development

Rural development is one of the areas of focus for Nestlé in Creating Shared Value. The reason is simple: Nestlé has a large presence in rural areas. Four hundred of our factories – 80% – are located in rural areas<sup>1</sup>. Together they employ 205 000 people and make significant contributions to rural communities through employment opportunities and greater access to our products for local consumers, as well as other indirect economic benefits. Many factories also contribute to local educational facilities, offer formal apprenticeships and training, run literacy and numeracy programmes, provide clean drinking water to local communities and invest in other local infrastructure. We source materials from 4.1 million farmers, including directly from 760 000 across more than 50 countries; most of these are family farmers. Therefore, it is important for Nestlé that rural areas are attractive places to live, work and invest in; the overall wellbeing of farmers and their families, rural communities, small entrepreneurs and suppliers are intrinsic to the long-term success of our business.

### The Rural Development Framework

#### Our commitment



**Roll out the Rural Development Framework to understand the needs of farmers**

Our Rural Development Framework aims to help us deliver a consistent approach to rural development, ensuring that our activities address real issues on the ground. We focus on global priorities while retaining the flexibility to address specific local challenges.

The framework was designed with the assistance of the [Danish Institute for Human Rights](#), the [Fair Labor Association \(FLA\)](#), the [Rainforest Alliance](#) and [Solidaridad](#). It combines development and societal approaches to the challenges faced in rural areas, focusing on three distinct but connected groups:

- Successful farmers: farmers are business oriented and farming by choice;
- Productive and respected workers: rural-based employment is attractive for workers; and
- Prospering communities: rural areas are attractive places to live, work and invest in.

The framework is designed to:

- Deliver a consistent approach and ambition to our rural development activities, ensuring that we address global development priorities but retain the flexibility to address locally relevant issues;
- Align activities on the ground with business and societal priorities;
- Create shared value at a country level based upon identified gaps; and
- Provide a credible process that can enable us to measure progress, and align and collaborate with governments and other organisations.

The Rural Development Framework complements existing rural development activities, within the [Farmer Connect](#) programme, by further identifying areas for interventions. This has enabled us to introduce a series of new objectives to progress the roll-out of the Rural Development Framework.

Although the framework initially focused on the direct suppliers within Farmer Connect, it now recognises the significant role of our trade partners, through whom Nestlé buys the majority of its agricultural raw materials, and can be implemented by them.

### Delivering the Rural Development Framework

#### Our objective

- **By 2015** – Continue to establish baseline assessments in the countries of key importance to our business that show pronounced social need to guide us in aligning our own activities with the priorities of local communities.

In 2015, we continued to carry out baseline assessments in countries where we have Farmer Connect operations, to ascertain how our activities align with the priorities of local communities in those countries. The assessments enable us to understand current conditions and design appropriate interventions. From these assessments, it is evident that there are a great many challenges and issues to address.

For programmes such as the *Nescafé* Plan, the Nestlé Cocoa Plan, the *Nespresso* AAA Sustainable Quality™ Program and our other Farmer Connect (direct procurement) work with dairy farmers and producers of other crops, our focus has historically focused on supply chain interventions. These include the provision of better inputs (e.g. higher-yielding plantlets), farmer training on agronomy, animal husbandry and business practices. Farmers who have received this support have improved yields and incomes, and better livelihood outcomes compared to those who have not (as demonstrated by the results of surveys carried out by Solidaridad and TechnoServe).

We have also long recognised a need to tackle wider contextual issues, such as the empowerment of women farmers and investing in clean water and sanitation. The results of our assessments enable us to identify these issues clearly and develop targeted responses.

<sup>1</sup> We define rural areas as being 'less than 30% artificial land cover within 5 km radius of the factory.' The figures were calculated for us by UNEP-WCMC in December 2014 using data from the European Space Agency's GlobCover 2009 data set.

We have identified eight core areas that we believe are important elements of successful rural development. By focusing on these issues and using our expertise, either directly or through our partners, we aim to make a real impact on the livelihoods of farmers within our supply chains.

### The eight core areas

- [Farm economics](#) (see below)
- [Farmer knowledge and skills](#) (see below)
- [Farm workers](#)
- [Women's empowerment](#)
- [Water and sanitation](#)
- [Nutrition](#)
- [Land and land tenure](#)
- [Natural resource stewardship](#)

We accept that, in some countries, not all of these eight core areas may be relevant and additional areas may be more important. The Rural Development Framework process allows for adjustments to this list.

 **Read more** in the [Water](#) and [Nutrition](#) sections.

#### Our objective

- ⊕ **By 2018** – Establish a total of 18 baseline assessments in the sourcing locations of key importance to our business that show pronounced social need, to guide us in aligning our own activities with the priorities of local communities.

Our programme of baseline assessments is ongoing, and we have introduced a new objective to measure progress. The countries in which we have completed baseline assessments are China, Côte d'Ivoire, Ethiopia, Indonesia, Kenya, Mexico, the Philippines and Vietnam. These have primarily been markets where we source coffee using the *Nescafé* Plan, though we have also applied the Rural Development Framework to communities supplying us with cocoa and cassava. (See also: [Rural Development Framework Public Summary Report](#).)

Initially, we planned assessments in 21 sourcing locations, but have reduced this to 18 to optimise resources.

## 1. Farm economics

#### Our objective

- ⊕ **By 2020** – Improve farm economics in seven priority sourcing locations based upon the results of the RDF baselines. (Farm economics comprises the following four factors on which Nestlé will focus: productivity, quality, costs and price premiums).

Ultimately, by improving farm economics, we expect to make farming attractive. Farm economics is dependent upon a wide variety of factors: productivity, quality, costs of production and price premiums (for achieving quality or sustainability standards). We also recognise the importance of the 'farm system' – that is, that the target crop (the crop Nestlé is buying) may not be the only crop grown and commercialised.

Price is a significant element of farm economics, though not one over which a company can have a significant impact. Supply–demand dynamics and the role of commodity markets largely determine price movements. Therefore, we have purposely excluded pricing as a lever upon which we will concentrate.

### Baseline study results

Although farms range in size from 0.5 to 6 hectares, typically they are one to two hectares in area. Target crops are generally grown along with other cash and food crops, as well as livestock. The target crop typically provides around 40% of income. Income sources are varied and numerous factors – costs, productivity, quality, waste and prices – affect crop income, making it difficult to focus on measuring farm income. Improvements in crop productivity have led to improved incomes, but there is much more to be done, not just on productivity but also on the farm system. (See also: [Rural Development Framework Public Summary Report](#).)

Having completed a number of baseline assessments, we have been able to define a series of goals and action plans to take us towards our 2020 objective. We also anticipate working collaboratively with other companies and governments to develop an aligned understanding of the status of countries and communities from which we source materials. We will also continue to publish our findings, priority issues and progress in addressing them.

Our mid-term goals include:

- Operating our Farmer Connect and smallholder upstream sourcing activities to ensure our long-term supply, while simultaneously contributing to rural development (as per the UN Sustainable Development Goals);
- Continuing our programme of baseline assessments in further sourcing locations;
- Ensuring that farmer training support programmes are: developing agripreneurs; equally accessible to men, women and young people; and available to farm workers (see below); and
- Putting in place strategies (activities and targets) in priority locations to improve food availability and dietary diversity.

## 2. Farmer knowledge and skills

#### Our objective

- ⊕ **By 2017** – Ensure that farmer training support programmes are: developing agripreneurs; equally accessible to men, women and young people; and available to farm workers.

Farmer knowledge and skills is a key focus area to drive productivity, trading relations, cost control and management of farms as small businesses. The provision of training is not the objective; rather, the objective is the uptake of learning from training and the application of best practices.

G4-EC1, Indirect economic impacts G4-DMA, G4-EC7, G4-EC8, Procurement practices G4-DMA, G4-EC9, Employment G4-DMA, Equal remuneration for women and men G4-DMA, Supplier assessment for labor practices G4-DMA, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, Forced or compulsory labor G4-DMA, Supplier human rights assessment G4-DMA, Local communities G4-DMA, G4-SO1, G4-SO2, Supplier assessment for impacts on society G4-DMA

### Baseline study results

Farmers welcome training, and request more of it. Information from the baselines has highlighted areas of interest for further training, though we need to find ways to measure training outcomes to assess their true worth, and to follow the progress of individual farmers more closely to see which ones attend multiple sessions. We must also ensure that training is accessible to everyone, in line with our new objective.

### 3. Farm workers

We believe that it is important to focus not only on farmers, but also on the farm workers who provide the permanent and casual labour, primarily at harvesting season, though often throughout the year on larger farms. Farm workers are often migrant labour who are frequently 'invisible' to traditional support programmes. To attract workers to farming requires that farm work is appealing.

#### Baseline study results

Data has been difficult to gather but there appears to be a generally insecure situation for workers, especially migrants. While they are keen to acquire skills, they rarely receive training. The data we were able to gather indicates that while in some countries minimum wages are paid, elsewhere a combination of wages, housing and food is provided. Data also suggests that farmers have difficulty finding sufficient available workers in most of the countries surveyed.

The design and application of the Rural Development Framework to date has raised the profile and importance of farm workers, yet the current baselines have not yielded many insights to guide our work. We will continue to gather a better understanding of the status of farm workers, while focusing our activities on:

- Ensuring that farm workers are able to access training and, where appropriate, that the provision of training explicitly targets farm workers and family members;
- Ensuring that farm workers are paid the minimum wage;
- The living conditions and hygiene of workers;
- Health and safety;
- Child labour, particularly among migrant workers; and
- Labour conditions in our supply chains.

We have a responsibility to ensure that farm workers and others employed in our supply chains work in fair labour conditions that meet the terms of our [Supplier Code](#).

Our Rural Development Framework pays particular attention to vulnerable worker groups, especially seasonal, migrant, women and non-family workers. We seek to improve conditions of employment and work and to eradicate forced labour, and we support non-discrimination and freedom of association.

Implementing initiatives such as the [UN Global Compact](#) and the [International Labour Organization's \(ILO's\) Conventions and recommendations](#) works best when farmers and their workers understand the value of improved conditions and its effect on productivity. Our aim is that our field support staff will, by sharing knowledge and information, be able to provide education and training on issues such as human rights, labour rights, living wages, and health and safety, as well as building capacity and fostering opportunities for dialogue between workers and their representatives.

Through the [Nestlé Commitment on Child Labour in Agricultural Supply Chains](#), we are focusing on the supply chains of cocoa, vanilla and hazelnuts. See [Human rights and compliance](#) for more information on our commitment to eliminate child labour.

### 4. Women's empowerment

In addition to understanding the proportions of men and women farmers who supply us, there are four areas where insights can guide our work: the role of women in society and the family; access to services (such as training, finance and land); the tasks undertaken by women on the farm; and income levels and sources of income.

#### Baseline study results

The results of our assessments mirror those of global surveys, revealing a variable picture with more equality in Asia than in Africa, and with Central and South America somewhere in between. Evidence ranges from women having responsibility for the family budget and joint decision-making through to them being excluded from decision-making and having little access to training.

Rather than developing a separate strategy for women farmers, we believe gender awareness and training need to be integrated into our overall approach. This means eliminating any unconscious bias against women in our current work, such as for training.

Women will be an important audience for delivering initiatives on nutrition and hygiene. There may be specific, locally defined initiatives designed to improve the role of women in society through management roles within co-operatives, improved access to resources and developing their own sources of income.

 **See [Cocoa](#)** to read more about our work to promote gender equality.

### 5. Water and sanitation

[Water](#) is one of the priority areas of our Creating Shared Value approach to business. Nestlé supports the human right to water and is committed to assisting with the provision of clean water and improved sanitation to priority communities where we source agricultural commodities.

The scale of the challenge to address the provision of clean water and adequate sanitation across the communities we are sourcing from is a significant one that will require investment and collaborative action from various players, led by government. This is a significant challenge for an individual company and we have yet to find the appropriate level of intervention for Nestlé. Our focus will be guided by the need to help communities meet the human right to water and sanitation.

Our initial interventions will, therefore, focus upon alternatives to the usage of water from streams for drinking water and the prevention of surface water pollution. A focus upon hygiene, as part of farmer training modules, is particularly important and will reinforce work on nutrition and gender.

In 2015, we finalised the [Nestlé Guidelines on Respecting the Human Right to Water and Sanitation](#). Based on guidance from the [CEO Water Mandate](#), this new document provides consistent directives on how Nestlé markets and factories can respect and support the human right to water and sanitation across the supply chain.

 **Read more** in the [Water chapter](#).

## 6. Nutrition

### Our objectives

- ⊕ **By 2016** – Put in place strategies (activities and targets) in priority locations to improve food availability and dietary diversity. Pilots running in three locations.
- ⊕ **By 2020** – Improve food availability and dietary diversity in five priority sourcing locations based upon the results of the RDF baselines.

[Nutrition](#) is the other priority area of Creating Shared Value. We have focused our efforts to gather information on nutrition security through two internationally recognised questionnaires: the Mean Annual Household Food Provision Score and the Household Dietary Diversity Score. The former provides an overview of the months of the year when farmers are short of food, while the latter is a quick measure of how balanced their diet is.

### Baseline study results

The data clearly highlights the extent of the poor nutrition of farmers and communities. While our data and sample sizes are variable, a picture emerges of 30% to 70% of farmers in any one country being short of food for three months a year. Meanwhile, the data on dietary diversity is allowing us to define suitable interventions.

A key focus of rural development work will be on improving the nutritional status of farmers and communities. In the immediate term, we can work on:

- Farmer training on nutrition;
- Promoting intercropping, kitchen gardens and livestock; and
- Extending the [Nestlé Healthy Kids Global Programme](#) into rural areas.

In the longer term, we need to develop a more scientific approach to intercropping and kitchen gardens to develop more diverse diets tailored to local conditions.

These short- and long-term interventions are reflected in our new objectives.

We expect that the programmes we have in place, and the data we are gathering, will enable us to define and implement the necessary interventions for farmers, bringing real improvements in food availability and dietary diversity. (See also: [Rural Development Framework Public Summary Report](#).)

 **Read more** in the [Nutrition](#) chapter.

## 7. Land and land tenure

A high proportion of smallholder farmers do not have secure title to the land that they farm. This is often a constraint upon investment in the farm, as well as their ability to raise finance. A further problem is the lack of equality of land tenure between women and men.

### Baseline study results

Typically, 10% to 30% of farmers have insecure land title, which can be a significant factor when encouraging farmers to invest in their land.

Results indicate that land (both size of holding and secure tenure) is often characterised by complicated political or historical issues, where the challenges are best left to governments to resolve. This makes a global approach difficult to define.

Nevertheless, we could have a role in supporting communities and governments, especially to overcome roadblocks in specific situations. While highlighting the topic globally, we are leaving this issue for individual markets to handle.

## 8. Natural resource stewardship

Two levels of resource stewardship are important – the environmental performance of individual farmers and the collective community or landscape-level actions to preserve individual human rights. For the management of natural resources to be effective, actions are frequently required at both levels. We are focusing upon four areas: water, deforestation, soil management and biodiversity.

### Baseline study results

Results show that farmers across the countries sampled have concerns about soil quality and erosion, polluted streams and changing weather patterns. There is a need to develop effective measures to address soil management, allied to both targeted plant nutrition schemes and the prevention of the pollution of streams. In view of the effects of climate change, a major focus is required on nursery systems and shade tree establishment.

 **Read more** about [deforestation](#), [biodiversity](#) and [climate change](#) in the Environmental sustainability chapter.

# Farmer Connect and direct sourcing operations

Farmer Connect is a flagship Nestlé programme committed to the local sourcing of raw materials, by purchasing goods directly from farmers, co-operatives or selected, trusted trade partners. Through Farmer Connect we engage with approximately 760 000 farmers – mostly smallholders in developing countries. Almost half our dairy ingredients and significant volumes of coffee and cocoa are purchased through Farmer Connect.

In this section, we explain more about the work of Farmer Connect and our direct sourcing operations, and the activities we are carrying out with farmers to support their growth and development, such as SAIN and agripreneurship.

## Farmer Connect

For Nestlé, Farmer Connect helps ensure the supply of high-quality agricultural raw materials, along with providing traceability back to farm level. It enables us to engage with farmers so that we can develop a supply chain that meets our social, environmental and ethical requirements. It also helps towards establishing consistent and fair pricing, improved yields and reduced environmental impacts.

Additionally, Farmer Connect places an emphasis on supporting farmers through activities, such as local sourcing and assistance, farmer training, developing alternative income streams and supporting women and young farmers. A key part of this is agripreneurship, which nurtures farming skills and business management. Around 10 900 sourcing and support staff help us to deliver this assistance to farmers locally.

### Number of countries covered by SAIN programmes



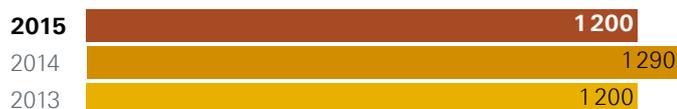
### Farmer Connect markets covered by SAIN programmes (%)



### Number of farmers supplying directly to Nestlé



### Number of direct sourcing staff



### Number of supply chain support staff



## The Sustainable Agriculture Initiative Nestlé

SAIN is part of Farmer Connect. Through SAIN, we disseminate and promote good agricultural practices and standards, technical assistance schemes, and in-kind and financial support instruments. These practices help farmers to achieve higher yields, sell more of their produce and increase their income, so that they can support their families and grow their businesses, while meeting the highest sourcing standards.

### Improving the quinoa supply chain



We have been sourcing quinoa in South America since 2009 for use in our *Nestum 8 Cereals*. However, there were numerous supply chain problems: transparency was partly lacking, there were quality issues and costs were high. In addition, the grain had to be mechanically scarified, there were challenges with the drying process and there were no local grinding facilities.

Working with the Institute of Agricultural Research (INIA) of Chile on the Sweet Quinoa Project, we sought to test different high-yielding cultivars that required no pre-processing prior to grinding. Since 2014, we have also trained 15 smallholder farmers in Chile on good agricultural practices, such as weed management, irrigation, plant protection, fertiliser application and harvesting. This training is part of a three-year programme financially supported by Nestlé and the Chilean Government. In addition, we are working with a local supplier that produces quinoa flour, as well as contracting directly with farmers and providing advice on agricultural practices.

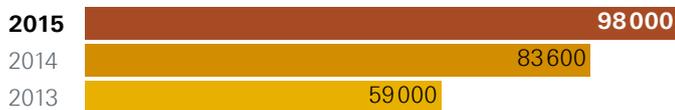
Thanks to these initiatives, we have achieved major improvements in the quinoa supply chain. We now have full traceability from farm to factory, yields have been double the average, new technologies have improved the production process, water and energy savings have been made and we have better control of costs. We now aim to develop an appropriate weed management strategy with business partners and government agencies to help drive further improvements.

## Local sourcing and assistance to farmers

Through our activities in 2015, we enabled around 98 000 farmers to access financial services amounting to CHF 33 million of assistance. Of this, CHF 28.9 million was direct financial assistance by Nestlé, such as investment and/or operational loans, advanced payments, subsidised interest rates and bank guarantees.

The balance comprises third-party financial assistance and a non-exhaustive list of in-kind support, such as the supply of plantlets and other capacity-building measures provided through Farmer Connect and as part of our activities, such as the [Nescafé Plan](#), the [Nestlé Cocoa Plan](#) and the [Nespresso AAA Sustainable Quality™ Program](#).

### Number of farmers benefiting from financial assistance



### Budget for financial assistance to farmers – direct and indirect (CHF million)



## Farmer training

One of the key challenges of our rural development work is to develop poorer-performing farmers into skilled farmers, able to meet our standards and become suppliers. We also aim to improve further the performance of elite farmers and agripreneurs, with a special focus on owner-operated family farms.

### Number of farmers trained through capacity-building programmes



In 2015, we provided training to about 400 000 farmers around the world – almost half our Farmer Connect supplier base – through our capacity-building programmes. Our farmer training and support focuses on:

- Seed and plant propagation techniques;
- Soil fertility and plant nutrition;
- Plant health and protection;
- Post-harvest processing, storage and waste reduction;
- Animal feed and fodder production, storage and conservation;
- Farm animal nutrition, including raw material safety and quality;
- Farm animal health, care and welfare;

- Farm management and record-keeping (e.g. farm economics);
- Water conservation and irrigation management; and
- Water and environmental sanitation for farming communities (including liquid and solid waste management) at farm level and in farming communities.

Training is aimed at both women and men farmers. We believe this will help address disadvantages faced by women farmers and lead to greater and higher-quality yields, increased incomes, better family prospects and higher standards of living.

## Biofortified cassava in Nigeria



Cassava is the staple food for more than 70 million people in Africa, and an alternative crop to maize and wheat in water-scarce regions owing to its low water requirements. As such, it could help mitigate the effects of climate change. Cassava is also used in Nestlé *Maggi* factories as a replacement for corn starch, which leads to reduced imports of corn starch and increased incomes for cassava growers. In addition, biofortified cassava can help fight diseases related to nutritional deficiencies in rural communities.

Given the importance of cassava, Nestlé's research and development (R&D) facility in Abidjan has been researching biofortification to improve the crop's nutritional value and its ability to fight diseases related to malnourishment.

Working with the International Institute of Tropical Agriculture (IITA), we evaluated cassava varieties to assess productivity and nutritional value. Subsequent research sought to select suitable new types, establish more precise information on their properties and run assessment trials. We also produced a cassava agronomy field manual for farmers and extension workers.

Four biofortified cassava varieties were developed and tested in Nigeria and Côte d'Ivoire, yielding between 35 and 70 tonnes per hectare, compared to local varieties that yield about 18 tonnes per hectare. In addition, a manual for cassava cultivation focusing on good agricultural practices was prepared for use, both as a tool for extension workers and as an input for farmer training.

As well as completing analysis at R&D Abidjan on the plants' nutritional value, we also aim to investigate ways to get rid of the cassava mosaic virus, which is responsible for up to 70% of post-harvest losses. As cassava fields are largely owned by women, it is anticipated that high-quality planting material will favour women in particular and contribute to their income.

We also have technical assistance schemes in place across most countries where we have milk operations: these include managing water programmes with farmers and providing farmers with access to finance.

## Increased coffee farmer income through yield improvement



Coffee farming income is directly related to yield, quality and production costs. In Thailand, robusta coffee trees are usually over 25 years old and originate from non-selected varieties, with average green coffee production of 875 kg/ha. Around 30% of farmers' income is spent on fertiliser. Therefore, the key to increasing revenue and ensuring sustainable coffee farming lies in optimising productivity and cost control.

Nestlé Thailand is addressing these issues by providing intensive training to farmers on yield improvement, soil fertility management and cost reduction. The programme comprises three main elements: rejuvenation of coffee trees, tree propagation and soil fertility management.

Tree rehabilitation uses a technique called stumping. This enables fresh growth and more productive branches, and promotes the development of new stems. Propagation is based on grafting, using suitable local material. Grafted coffee trees produce stems that come into production sooner than new plantings, minimising income losses.

The soil fertility management programme involves correcting the pH through lime application, increasing soil organic matter by adding compost from agricultural waste (e.g. coffee husk) and creating bulk-blending formula fertiliser.

Thirty demonstration plots have been set up, and 2862 farmers have been trained on yield improvement and production cost management. Farmers are reporting yield increases up to 1.5 tonnes/ha in two years, with production costs per hectare almost halved by adopting the improvement techniques.

## Agripreneurship at Nestlé

Food production needs to increase by almost 70% by 2050 to meet the food calorie requirements of the growing global population. While there is a trend away from intensive agricultural production in developed economies, which usually goes along with a reduction in productivity, emerging economies are intensifying their production systems to achieve higher yields. But high pesticide and fertiliser use in input-intensive production systems bear the risk of residues in harvested raw materials and the contamination of waterways and the environment. At the same time, food safety and quality norms are becoming more stringent, requiring farmers to acquire more knowledge on the application of good agricultural practices and appropriate technologies to meet the requirements of the food industry.

While farmers in developed countries generally have access to training, farmers in most emerging countries do not. The majority don't become farmers by choice, but by default. Farming is labour intensive and tends to provide little economic and social reward. Young people from rural areas are migrating to urban centres in search of jobs that provide a better income with higher perceived social status. The farming population is ageing fast, and not enough skilled young people are replacing them. This is a real problem – if capable young people can't be convinced to work in agriculture, then the

future of the world's food supply is in trouble. Offering more opportunities for young farmers and for farming business development is, thus, of the utmost importance to ensure the future supply of agricultural raw materials.

### The objective of agripreneurship

Agripreneurship is an approach we have recently formalised to accelerate the development of farmers to nurture their farming skills, competencies and business management. While this approach has already informed existing training schemes, we now intend to be more systematic in rolling it out. Agripreneurship particularly addresses farmers who are operating in our Farmer Connect and direct sourcing operations. It helps foster sustainable intensification of agriculture, making best use of good agricultural practices and excellence in farming operations. Agripreneurship contributes to developing competitive and sustainable growth-oriented farming business models.

Agripreneurship applies to both large- and small-scale farmers – what is more important is having an entrepreneurial mindset and attitude, and a proven record in farm management. Our aim is to create agripreneurs, ambitious farmers running profitable businesses and complying with Nestlé's quality, safety and responsible sourcing standards.

## Training and developing young farmers



Globally, young people are turning away from farming as a career, often seeing it as providing little economic or social reward. Offering more training for young farmers, and providing them with micro-finance and access to markets, would do much to help safeguard the future of agriculture.

One successful scheme, which won the [2012 Nestlé CSV Prize](#), is an agricultural school for teenagers in Paraguay run by the non-profit organisation Fundación Paraguaya. The initiative sets up micro-businesses like gardening, hotel services, beekeeping and egg production on school premises, providing students with free training on top of the normal academic curriculum. The training involves theory and hands-on work, ensuring students have the chance to practise new skills. In addition to promoting agricultural knowledge, the school also teaches entrepreneurial skills.

Another solution is training institutes that offer school-leavers a professional training and academic qualification in farming. In China, Nestlé has opened an institute in partnership with the local government, universities and agricultural industries to encourage modern dairy farming practices and help farmers meet the country's milk demand in a sustainable manner. The institute trains farmers on animal nutrition, animal health and welfare, milking hygiene, animal feeding and environmental protection. Laboratories and demonstration farms enable farm managers and workers to attend training sessions to improve farm management skills, learn the latest technology and gain practical business experience. Around 700 students will be trained annually, and Nestlé hopes to assist many young Chinese become successful farmers.

They are committed to performance and growing the business, and are willing to change their practices if another proves to be more successful. We will report on its progress in future reports.

### Response-Inducing Sustainability Evaluation (RISE)

RISE is a tool that uses 10 indicators (rated from 'problematic' to 'good') to assess and improve sustainability at a farm level. Our sourcing staff analyse the data collected for strengths and weaknesses, with scores given for the 10 indicators. Results are then discussed, and possible interventions suggested, in a personal meeting with the farmer and are used to design broader programmes across the sourcing district.

With the increasing importance of agriprenurship, the RISE tool will be systematically integrated into the development approach. Conducted on farms representing farming system clusters, the RISE tool makes sustainable agriculture measurable, communicable and tangible. RISE is a means of achieving a holistic farm system analysis and continuous improvement. As such, it is not limited only to milk, but can be applied across a large number of different animal and crop production systems.

### Investing in plant science to help farmers

Nestlé makes a significant investment each year in agricultural R&D, and as part of our support for farmers, we share our expertise and research findings. For instance, by developing new varieties of crops, we can offer farmers more choice on what they grow, as well as optimising production and building a stronger foundation for the future. At the same time, we are also helping them protect the environment.

Through our state-of-the-art network of agricultural R&D centres, we invested EUR 11.2 million (CHF 13.5 million) in plant science at our centre in Tours, France, and CHF 5 million at Abidjan, Côte d'Ivoire, during 2015. Our scientists looked at issues such as genetic diversity and ways of delivering stronger, more robust plants to farmers, as well as issues related to productivity, crop quality and environmental protection.

### Improving coffee production in the Philippines

Nestlé understands that coffee farmers need better-quality coffee plants to improve their income. In the Philippines, we began introducing new plants in the 1980s. However, in recent years this has rapidly accelerated thanks to the work of the Nestlé R&D Centre at Tours, France.

The centre has developed a range of coffee varieties, with trees being tested in the Philippines on experimental stations and with farmers, in collaboration with the Department of Agriculture. Ultimately, it is the farmers' approval, combined with Nestlé's strict selection on physical and sensory characteristics, that decides which varieties are propagated on a large scale.

Ever since the first varieties were officially registered more than five years ago, Nestlé has used its unique know-how to propagate and distribute the millions of trees that are needed to replant farms in the Philippines and increase national production. We have combined traditional techniques, such as grafting, with an innovative method of accelerated propagation, called somatic embryogenesis, which R&D Tours adapted for use on coffee and cocoa. This method utilises the flexibility of plant cells to produce and multiply large numbers of embryos from leaf tissue in a short period of time.

The embryos are produced in Tours, France, and germinated in Nestlé nurseries in the Philippines. To date, more than 1.3 million trees have been produced in this way. Soon, the propagation technique will be available locally, as Nestlé will be training two Filipino scientists in Tours in 2016, following similar support for scientists from seven other countries in previous years.

### Field trials and the importance of farmers' feedback

Field trials in Mexico and Thailand are placing coffee growers at the heart of the development of new coffee varieties.

The [Nescafé Plan](#) aims to increase the profitability of coffee farming by distributing more productive trees to farmers. Developing new coffee varieties requires intensive research into areas such as a tree's yield and drought resistance. Equally, farmers need to be aware of the consequences and implications of introducing new varieties into their fields. In 2011, R&D Tours, along with Nestlé Mexico and Nestlé Thailand, embarked on trials in collaboration with national institutes to evaluate yield performance and farmers' perceptions of new varieties.

We worked with farmers to identify their expectations of the new plants, record their feedback, publish the results and correlate these with the varieties' yields. The trials highlighted a real need to include field trials and farmer surveys in the process of evaluating coffee varieties. We were able to identify promising varieties with potential for release, and varieties unsuitable for release, where there were strong discrepancies between yield and the farmers' acceptance. Strong regional variations were also found.

## Partnership with the Fair Labor Association (FLA)

We were the first company in the food industry to become affiliated with the [FLA](#), a non-profit multi-stakeholder initiative that works with major companies to improve working conditions in their supply chains.

To date, the FLA, as an independent external monitor, has investigated our [hazelnut supply chain in Turkey](#) and [cocoa farming in Côte d'Ivoire](#) on our behalf. It highlighted issues concerning workers' rights, [child labour](#), working conditions and other topics, such as the role of women. We continue to work with them to address these findings.

## Women farmers

Women make up nearly half (43%) of the agricultural labour force in developing countries<sup>2</sup>, yet ILO data suggests the yields they achieve are on average 20% to 30% lower than those of men<sup>3</sup>. This is because they have less access to improved seeds, fertilisers, equipment, training and information.

Nestlé believes that this issue must be addressed. Throughout 2015, we continued our work with women farmers in our coffee, cocoa and milk supply chains by providing training on technical skills, resource stewardship and business issues. We also promote gender awareness training, work with women's associations to create platforms for dialogue and help women farmers to increase their income by growing additional food crops.

### Helping farmers develop new income streams

Coffee is the main income source for the hamlets of Papua New Guinea's Baiyer Valley. While working with Papua New Guinea Coffee Exports and Baki Kopi to develop a 4C ([Common Code for the Coffee Community](#)) Unit in the valley, Nestlé has developed a project to encourage farmers to develop alternative income streams, particularly for women, such as beekeeping.

The project is a joint venture between the Baiyer District Administration and Nestlé. The Baiyer District Administration provides training facilities and a beekeeper, and Nestlé is providing beehives, beekeeping equipment and queens with broods.

The project consists of developing an apiary for use as a demonstration and training facility, and a range of training courses. These will focus on the inter-dependency between coffee, fruit and vegetable production and bee activity, as well as environmental awareness. The project will also include the supply of beehives to Baiyer's women's associations.

More than 300 farmers are expected to complete the training and begin building their own hives. The potential annual income from three hives is estimated to be equivalent to the average annual income from family coffee farming and allows a more even spread of income throughout the year.

Separate monthly training courses for women and men will follow in 2016, and a mobile honey extraction facility will also be developed.

We are doing more to improve the lives of women in our supply chains, by:

- Integrating women's empowerment and gender aspects into our Rural Development Framework;
- Publishing a [Nestlé Action Plan on Women in the Cocoa Supply Chain](#) and commissioning the [FLA](#) to assess women in our supply chain in Côte d'Ivoire. A [progress report](#) was published in January 2015; and
- Helping to increase women's representation in committees and at managerial levels through the training of representatives from nine co-operative societies in the Central region of Kenya.

### Boosting women farmers' income through agritourism

Ecuador's favourable biodiversity, social and geographic conditions offer farmers an opportunity to diversify and to combine tourism with agriculture. With this in mind, Nestlé has launched a project to train farmers in agritourism and find opportunities to generate additional income and improve livelihoods.

The project is run with farmers from the Comunitaria Progresista Zhucay, a community association with 26 participants, 22 of whom are women, in La Troncal-Cañar province. Their farms – surrounded by beautiful landscapes, such as rivers and jungle with preserved biodiversity – offer much scope for tourism, such as tours and cocoa-farming demonstrations. Using this environment, agritourism will enable farmers to keep producing cocoa using good agricultural practices and preserving natural resources.

Nestlé hired an agritourism specialist to help roll out workshops. These covered topics including welcoming tourists, customer service and potential development opportunities, such as teaching tourists about cocoa farming, fishing, talks on medicinal and ancestral plants, production of hand-crafted chocolates and lodging on the farms.

A year into the project, 21 Nestlé Cocoa Plan farms have received 43 visitors, boosting their income. Women are in charge of the agritourism projects, while their husbands work on the cocoa plots or other farming activities.

The pilot project should be fully established in 2016, when Cocoa Plan farmers from other areas will be invited to visit and learn from the experiences of the participants and to get involved themselves. We will continue to run workshops, and field technicians will monitor the progress of implementation on each farm. Visitor numbers and their feedback will be reviewed annually.

See [Cocoa](#) to read more about our work to promote gender equality.

<sup>2</sup> [www.fao.org/docrep/013/i2050e/i2050e00.htm](http://www.fao.org/docrep/013/i2050e/i2050e00.htm)

<sup>3</sup> [www.ilo.org/public/english/employment/ent/coop/africa/download/coopafrika\\_leaflet\\_iwd2012.pdf](http://www.ilo.org/public/english/employment/ent/coop/africa/download/coopafrika_leaflet_iwd2012.pdf)

# Responsible sourcing through our procurement activities

With consumers and other stakeholders increasingly seeking information about the origins of our ingredients and how they were produced, responsible sourcing – the sourcing of raw materials and paper in full compliance with our RSG criteria, with traceability and transparency throughout our supply chains – has never been more important.

Responsible sourcing is an investment in our future and in the futures of the farmers and producers on whom we depend for the ingredients in our foods and beverages. It requires continuous improvement, and all parties in the supply chain are responsible for addressing economic, social and environmental issues that can affect supply, livelihoods and sustainability.

 **See also:** [Environmental sustainability](#) and [Human rights and compliance](#).

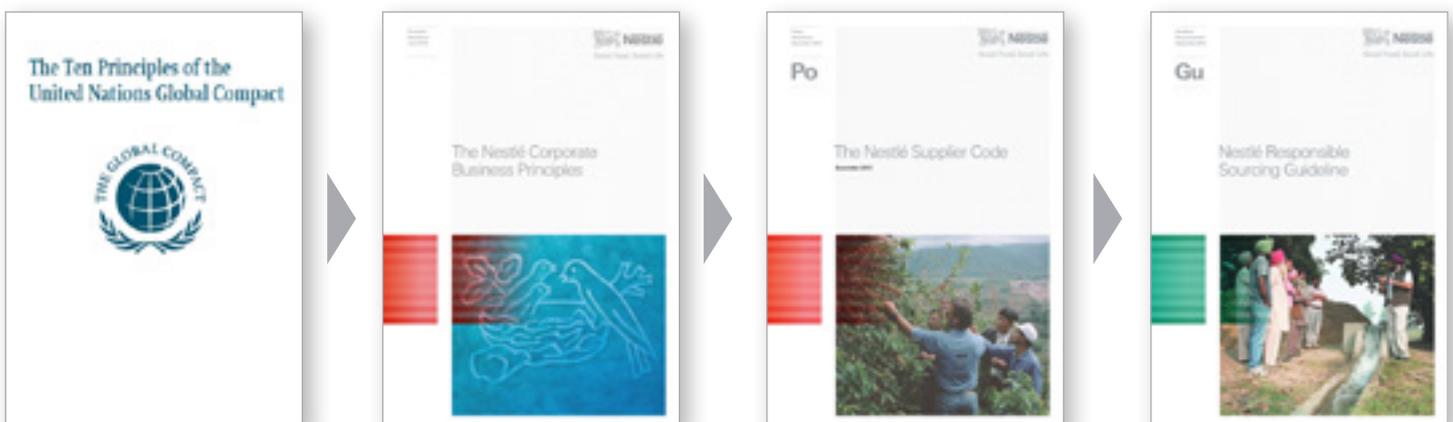
## Implementing responsible sourcing

Responsible sourcing is an essential part of ensuring a sustainable future for our business. Consumers and stakeholders increasingly want to know where the foods and beverages they buy originate from, how they are produced, and that laws and standards on key issues, such as labour conditions, animal welfare and environmental protection, are adhered to in the sourcing and manufacturing processes. Responsible sourcing places shared responsibility on all parties in the supply chain to address the economic, social and environmental issues that can affect our supply of ingredients and the livelihoods of the people who produce them.

Our programme is founded on [Nestlé's Corporate Business Principles](#) and our [Nestlé Supplier Code](#) requirements we ask of all our suppliers, and their employees, agents and subcontractors. Our [RSG](#) sets out more detailed requirements and is applicable to all stages of the upstream value chain back to the primary production level. With a focus on critical social, environmental and farm animal welfare-related challenges, the RSG defines specific requirements for the supply chains of our priority categories. These help our

suppliers to improve practices at a farm or plantation level, where necessary, and ensure they meet or exceed internationally recognised standards.

There are many challenges. For example, many of our supply chains are complex, both geographically and in terms of language, so initiatives and materials must be tailored to meet local needs. We've made steady progress, by encouraging the adoption of internationally recognised ethical practices. These drive economic viability, social acceptability, and food safety and quality, helping to address stakeholder concerns, such as food security and the environmental sustainability of agriculture. Our commitment documents provide accessible information on the specific pledges we have made about key issues, such as farm animal welfare and labour rights. Through the application of these policies, principles and guidelines, we're making progress in tracing the materials we buy right back to their place of origin – the essential step in identifying and addressing issues – while performance is continuously tracked through supplier farm or plantation assessments.

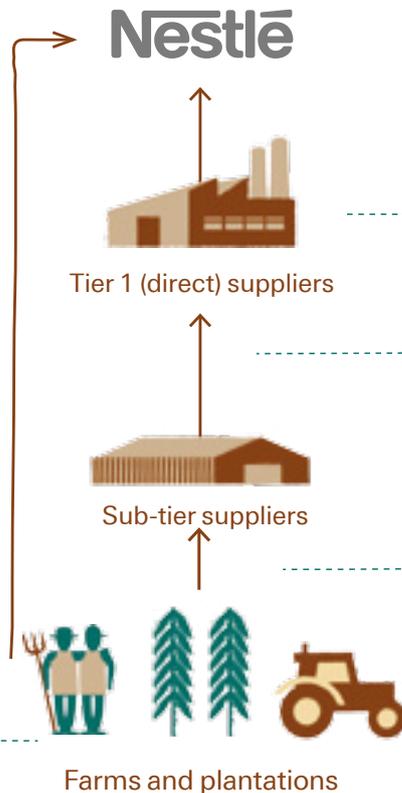


## How it works

Each business unit takes overall responsibility for local rural development activities in its own area. As appropriate, the Rural Development Framework may be used to help inform where interventions are needed.

### Farmer Connect and direct sourcing operations

Farmer Connect is our direct sourcing programme through which we buy almost half our dairy ingredients and significant volumes of coffee and cocoa. Through Farmer Connect we engage with 760 000 farmers – mostly rural smallholders in developing countries. More than 1200 Nestlé sourcing staff in the field regularly visit farms, carry out assessments using our Responsible Sourcing Guideline (RSG) requirements and provide training and other assistance.



### Responsible sourcing through our procurement activities

#### Auditing

Through a rolling series of audits, we verify that our direct suppliers are implementing our Supplier Code. Audits are carried out by independent verification firms, mainly of manufacturing sites.

#### Traceability

We work with our direct suppliers to map the upstream supply chain back to origin. This helps us to understand the extended supply chain right down to farm level and the suppliers that contribute at each stage.

#### Farm assessments

We assess the implementation of our RSG on farms and plantations, and identify any issues that exist. Assessments are carried out by partner organisations, such as Proforest and The Forest Trust (TFT).

## Responsible Sourcing activities

### Farmer Connect suppliers

We ensure **transparency and traceability up to farmer level** by sourcing directly from farmers, co-operatives and selected traders. The baseline documents for our sourcing activities are the Nestlé Supplier Code and the Responsible Sourcing Guideline. We engage with suppliers on **opportunities for continuous improvement** by applying Nestlé good agricultural standards, principles and practices on food safety and quality assurance, and involve them in capacity building and training, which enables them to reach **higher levels of sustainability**.

### Tier 1 suppliers

For suppliers in **direct commercial relationships** with Nestlé, our activities focus on an **ethical audit of their operations** against the Nestlé Supplier Code requirements, to measure **how** a material or service is produced, and ensure that processes are upgraded over time.

### Sub-tier suppliers (extended value chains)

For suppliers below Tier 1, where we are **not in a direct commercial relationship**, our activities focus on supply chain mapping to **establish transparency and traceability** to farm or plantation level, to determine **where** the material comes from, and ensure the continuous adherence to our Supplier Code and Responsible Sourcing Guideline through Responsible Sourcing assessments at the origin (farm, plantation, etc.).

**Our commitment**



**Implement responsible sourcing in our supply chain**

Nestlé’s Responsible Sourcing activities work across three strands –

- **Farmer Connect:** farmers and co-operatives through whom we buy materials directly;
- Tier 1 suppliers: suppliers with whom we deal directly; and
- Sub-tier suppliers: who supply our suppliers and from whom we do not buy directly.

The Nestlé RSG sets out the acceptable means of verification and what constitutes the definition of ‘Responsible Sourced’. Our Responsible Sourcing activities define ingredients against these two benchmarks:

- **Responsibly Sourced:** where places of origin are assessed against our RSG requirements and found to be compliant, or corrective action plans are developed (or equivalent standards implemented); and
- **Traceable:** where ingredients we buy are identified back to their places of origin, such as mill, plantation or farm.

Because of the scale of our global operations and the vast size of our supply chains, our Responsible Sourcing activities continue to focus on 12 priority categories: palm oil, soya, sugar, pulp and paper, coffee, cocoa, dairy, fish and seafood, shea (to be replaced by cereals in 2016), vanilla, hazelnuts, and meat, poultry and eggs.

**Tier 1 auditing**

Nestlé’s auditing of Tier 1 suppliers began in 2010. The purpose of the audits is to verify how a material or service is produced and to drive our direct suppliers’ continuous progress towards full compliance with our Supplier Code. All new suppliers are screened when entering into a business relationship with Nestlé, and signing the code is an integral part of our mandatory vendor approval process.

**The process**

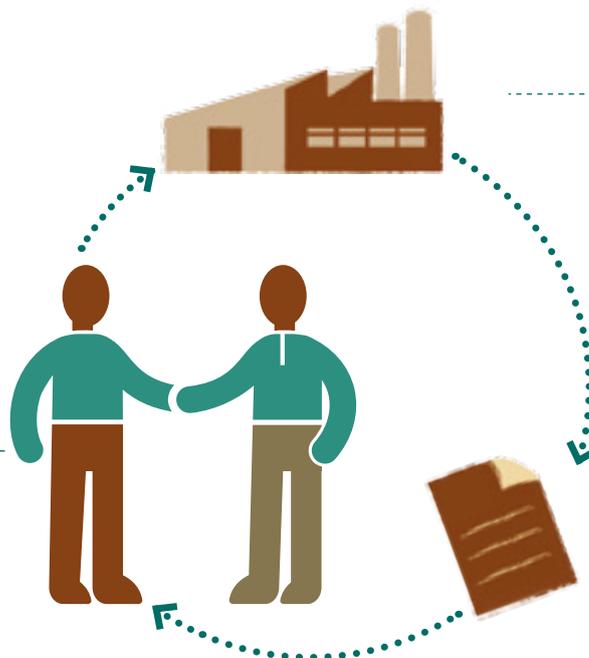
Suppliers are required to arrange and host an ethical audit to show they are adhering to national and international laws and standards, and the minimum standards set out in our Supplier Code. These take place across all categories (raw, packaged, etc.) globally.

Audits are carried out by approved independent verification firms, using either the [Sedex Members Ethical Trade Audit \(SMETA\)](#) 4 Pillars guideline for most of the production facilities or the [EcoVadis](#) methodology for certain services suppliers. The topics assessed reflect best practice in labour standards, health and safety, the environment and business ethics.

**The audit process**

**3 Resolution**

If any gaps are identified in relation to our standards, we support the supplier to close these by working together on an agreed course of action. If a supplier doesn’t improve its practices within an agreed timeframe, we remove them from our supply chain and look to establish new partnerships with other suppliers.



**1 Site visit**

Site visits take place on a rolling basis, using consistent audit criteria covering:

- Labour standards;
- Safety and health;
- Environment; and
- Business integrity.

**2 Report**

Following a site visit, the auditor\* provides a report for the supplier and for Nestlé, identifying any issues of non-compliance.

\* Leading verification firms  
Bureau Veritas, Intertek and SGS.

## The results

### Our objectives

- **By 2015** – To both improve and demonstrate compliance with the *Nestlé Supplier Code*, and complete 10 000 *Responsible Sourcing Guideline* audits, 70% of them with full compliance.

#### Auditing results

Goal: 10 000 audits by 2020

2015  82% 10 950

- Total Tier 1 suppliers audited by end of 2015: 10 950
- Percentage of audited suppliers who were fully compliant: 82%

- ⊕ **By 2016** – For Tier 1 suppliers, cover 50% of the total volume sourced from *Responsible Sourcing Guideline* audited Tier 1 suppliers, with 70% compliance.

Our auditing programme aims to guide our Tier 1 suppliers towards full compliance with the Nestlé Supplier Code, identifying areas where compliance is not yet achieved.

By 2015, we had achieved our objective of 10 000 audits with at least 70% full compliance (which means no non-compliances whatsoever). Together, the audited suppliers account for some 95% of our overall spend.

Each supplier receives a report detailing areas for improvement and the requirements to achieve compliance. In all cases of non-compliance, a corrective action plan is approved, containing detailed measures and timelines to ensure that practices are improved. Of the 22 704 non-compliances identified, around 8174 have been addressed through a range of improvements, such as fitting fire extinguishers, clearing access to emergency exits, improving toilet and hand-washing facilities, and providing clean drinking water. An estimated 1.4 million employees are now benefiting from better working conditions as a result.

Of the non-compliances being addressed:

- 54.5% are health and safety issues, such as not providing adequate protective equipment to employees;
- 15.5% are working hours issues, such as working more than 60 hours a week; and
- 41% are accommodation-related issues, such as inadequate rest facilities or unhygienic toilets.

Nestlé does not have a formal incentivisation programme for suppliers. However, we work closely with our suppliers to help them improve their performance and implement corrective actions where needed. If suppliers refuse to comply with our audit process or fail to implement corrective action plans, we reduce our purchases from them or, in some cases, terminate our relationship.

Suppliers can share audit reports with other members of the AIM-PROGRESS platform, a forum of 39 consumer goods manufacturers and suppliers that recognise the audits as a way to facilitate responsible sourcing and sustainable production. This helps to promote good practice across the industry and avoids the need to undergo separate ethical audits for other customers.

As per our new objective, in 2016, our focus will be on increasing compliance across our total sourcing activities.

## Traceability and assessments

The second component of our Responsible Sourcing activities is traceability and assessments. This involves mapping our supply chains back to the primary producer to identify where the material originally comes from. It is a major undertaking, especially with certain ingredients, such as meat and seafood, which have very complex supply chains that may lack transparency. Traceability and transparency are, therefore, essential in enabling us to assess whether our sub-tier

suppliers, with whom we do not have a direct commercial relationship, are meeting our ethical and sustainability requirements.

All Nestlé suppliers are required to meet our requirements. However, we recognise that supply chain transformation cannot be achieved overnight so, where appropriate, we support suppliers who are not able to meet the RSG immediately but are committed to eliminating non-compliances over time. Progress against these action plans is monitored and regularly reported.

### Traceability and assessment process

#### 4 Monitoring & compliance

We re-assess the completion of identified issues to ensure standards are implemented and maintained, before starting the process with a new pool of suppliers.



#### 1 Engagement & mapping

We ask our direct suppliers to work with us to map our upstream supply chains back to origin.

#### 3 Continuous development plans

We work with suppliers to improve farm and plantation performance and implement development programmes to tackle the issues identified.

#### 2 Guidelines

We work with expert partners to develop specific RSGs and assess practices at the material's place of origin.

### The process

By mapping our supply chains back to origin, we can engage with the supplier and perform assessments on the ground to check alignment with the Nestlé Responsible Sourcing Guideline. Where necessary, we can then work with suppliers to address any issues identified and support them through action plans to enable them to meet our requirements.

To answer a question asked by our consumers – namely, 'Where does this food come from?' – Nestlé uses a Supply Chain Management programme operated by [Achilles Ltd.](#) This programme provides Nestlé suppliers and their sub-suppliers with a cost-effective, time-efficient and secure online process to trace their ingredients back to their places of origin.

Supply chain mapping is an integral requirement of Nestlé's Responsible Sourcing Traceability Operations and is governed by the [Nestlé Supplier Code](#). The main objectives of the Supply Chain Mapping programme are to:

- Develop a comprehensive picture of the extended supply chain, right down to the farm level;
- Gain a better understanding of the suppliers that contribute to the products sold by Nestlé; and
- Create a single, reliable online data source of supply chain mapping information that can be accessed centrally and is maintained annually and securely by an independent third party.

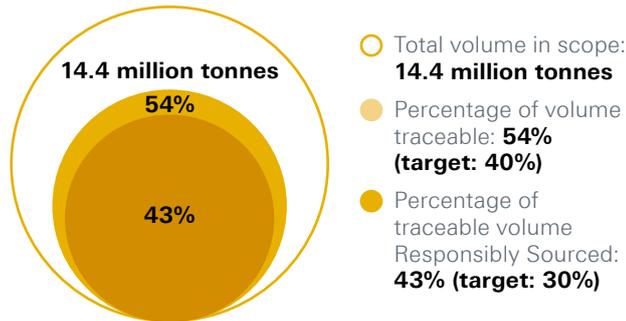
The programme is being rolled out across our global supply base using a phased approach, founded on regions and product categories. Participation is, therefore, on an invitation basis only.

## The results

### Our objectives

- **By 2015** – 40% of the volumes of the 12 priority categories (palm oil, soya, sugar, pulp and paper, coffee, cocoa, dairy, fish and seafood, shea, vanilla, hazelnuts, and meat, poultry and eggs) to be traceable.

### Traceability and assessment results



- ⊕ **By 2016** – For upstream, 50% of the volume of our 12 priority categories to be traceable.

Inevitably, some categories of raw material are making faster progress than others. For example, around 95% of the vanilla flavours we procure are traceable, while for other categories, such as meat, poultry and eggs, and fish and seafood, supply chains are more complex and progress will consequently be slower. However, we are confident that our ongoing activities will enable us to make further progress in improving traceability in 2016, and have introduced a new objective to measure progress.

## Partnerships, assurance and verification

Our supplier network is vast, which means that mapping our major supply chains is a significant undertaking that we can't do alone. We have, therefore, built partnerships with a number of expert organisations to help us, by:

- Developing category-specific requirements;
- Acting as implementation partners on the ground, carrying out field assessments against our social and environmental requirements;
- Addressing any issues through technical assistance and training; and
- Carrying out their own independent verifications to ensure they meet their respective standards.

- [4C Association](#) – Nestlé is a founding member of the 4C (Common Code for the Coffee Community) Association, a multi-stakeholder group designed to improve efficiency, profitability, transparency and sustainability in the production, processing and trading of coffee through training and verification.
- [Fair Labor Association \(FLA\)](#) – a collaborative effort of universities, civil society organisations and socially responsible companies dedicated to protecting workers' rights and supporting companies to voluntarily meet internationally recognised labour standards. Guided by the FLA's findings, we have continued to work on addressing child labour issues in the harvesting of hazelnuts in Turkey and cocoa farming in Côte d'Ivoire (see [Human rights and compliance](#)), as well as assessing the role of women in the cocoa supply chain. The FLA has also advised us in the development of the [Rural Development Framework](#).
- [Fairtrade International](#) – Fairtrade International coordinates Fairtrade labelling at an international level, sets international standards and helps producers around the world to gain Fairtrade certification. The organisation has set up a pilot of the [Nespresso AAA Farmer Future Program](#), an initiative to enhance farmer welfare through the creation of a retirement fund, in Colombia.
- [Global Good](#) – a collaborative effort between Bill Gates and Intellectual Ventures that assesses our dairy supply chain in Kenya, Zimbabwe and Indonesia, to identify how technology might address gaps in water, nutrition and rural development. Our agreement will focus on increasing the agricultural productivity of smallholder dairy farmers in East Africa through technology innovation.
- [Proforest](#) – an independent, non-profit organisation specialising in natural resources acts as our delivery partner for mapping our soya and sugar supply chains, assessing suppliers and developing action plans.
- [Rainforest Alliance](#) – we partnered with the Rainforest Alliance to help us deliver the [Nescafé Plan](#) and develop our Rural Development Framework. It also co-created the [Nespresso AAA Sustainable Quality™ Program](#) and helps us to deliver it on the ground.
- [Sustainable Agriculture Initiative Platform](#) – we co-founded this global food industry initiative with Danone and Unilever to promote sustainable agriculture at field level through six working groups (cereals; coffee; dairy; fruit; potatoes and vegetables; and water and agriculture).
- [Solidaridad](#) – our Rural Development Framework was developed with the assistance of this international civil society organisation. We have also contributed to a project to improve the food security of coffee farmers in Kenya and Ethiopia.

continued...

- [Sustainable Fisheries Partnership](#) – this international non-governmental organisation (NGO) is our implementation partner for our fish and seafood supply chain, enabling us to roll out the requirements of our RSG.
- [The Forest Trust \(TFT\)](#) – an international non-profit organisation that acts as our implementation partner to help us map our palm oil and paper supply chains, assess suppliers and develop action plans.
- [UTZ](#) – the largest programme for the sustainable farming of cocoa in the world, covering good agricultural practices, farm management, social and living conditions, and the environment.
- [Verité](#) – a global NGO that works with companies to help them understand and tackle labour issues. Nestlé partnered with Verité in 2015 to tackle [labour issues in the Thai fishing industry](#).
- [World Animal Protection](#) – Nestlé has a global partnership with this international animal welfare NGO. We first began working in collaboration with World Animal Protection in November 2013 to develop our Responsible Sourcing Assessment protocol on farm animal welfare in our supply chain and we continue to work together to assess our suppliers of animal-derived ingredients against our RSG on farm animal welfare. Read more about [animal welfare](#).
- [IDH – the sustainable trade initiative](#) – the IDH accelerates and scales-up sustainable trade by creating and convening coalitions of leading multinationals, civil society organisations, governments and other stakeholders to drive sustainability. Nestlé is involved with the [IDH Sustainable Coffee Program](#) (SCP), a pre-competitive, public-private consortium that aims to address underinvestment, poor production practices and adverse climatic conditions in the coffee sector.

## Issues in traceability and supply chain mapping

Achieving transparency and traceability in the supply chains of our key categories of raw materials and paper presents a number of common challenges, such as supplier diversity and supply chain complexity.

For example, where a supply chain has a diversity of suppliers, it is likely that such an approach for one raw material in one location will not be the right approach elsewhere, making it difficult to devise the most appropriate strategy for implementation and continuous improvement. For example, in the case of sugar, some supply chains involve large, mill-owned plantations; in other situations, there are many thousands of smallholders with plots of less than a hectare, who are not bound to a specific mill but have strong ties with associations or co-operatives. All of these variables and needs must be taken into account and have input from all relevant stakeholders for any strategy to be effective.

The shape and complexity of the supply chains for certain raw materials can also vary considerably between countries. In Brazil, for example, pulp and paper companies are often integrated, with forests, mills and converting factories sharing common ownership. Many are also certified, helping to demonstrate compliance with our sourcing requirements. By contrast, supply chains in Malaysia and China are incredibly complex, with layers of middlemen and traders between the forest and the mills, which weakens our ability to influence suppliers. Meanwhile, in India and Indonesia, much of the packaging for our products uses recycled, rather than virgin, fibre.

### Nestlé Brazil wins supplier management award



Nestlé Brazil has been rewarded for its excellent management and relationship practices with partners and suppliers, and the enhancement of its rural and urban community management.

The *Guia EXAME de Sustentabilidade*, a sustainability guide by the bi-weekly magazine *EXAME*, was created in 2000 to identify, assess and announce the best corporate social responsibility initiatives in Brazil and indicate model companies for such practices. More than 200 Brazilian companies participated in 2015.

The guide evaluates companies based on 10 key indicators in terms of economic, social, environmental and general dimensions. With an overall score of 83.8 points (out of 100), Nestlé Brazil performed above average in several categories, including human rights, and supplier and climate change management. We are supported by independent audit companies to ensure that our 48 000 suppliers in Brazil comply with the standards of the [Nestlé Supplier Code](#).

Nestlé Brazil is working closely with farmers on various rural development programmes. More than 2000 milk producers participate in the *Boas Práticas na Fazenda*, where we offer technical support to improve the quality and safety of milk. Together with farmers supplying our factory in São José do Rio Pardo, we seek continuous excellence in the production of greens and vegetables for our baby food and culinary products. And, through the *Nescafé Plan*, we offer technical support to encourage the development of robusta coffee production in the state of Espírito Santo.

## Our priority sourcing categories

Mapping our extended supply chains across priority categories of ingredients and materials is a long-term process. Working together with specialist partners and other agencies, we're making steady progress but as each supply chain presents its own set of challenges, we also need to define, develop and implement strategies to address such complex issues as women's empowerment and deforestation. Our progress towards having traceable and Responsibly Sourced raw materials in each of our 12 priority categories is summarised in the table below. These categories are then covered in detail in the rest of the chapter, as are the major challenges that arise across our supply chains.

Commodity	Traceable 2015			Responsibly Sourced 2015	
	Target (%)	Actual (%)	Level of traceability	Target (%)	Actual (%)
<a href="#">Coffee</a>	56.0	<b>56.0</b>	Back to group of farms/plantations	n/a	<b>56.0</b>
<a href="#">Cocoa</a>	30.0	<b>30.0</b>	Back to plantation	25.0	<b>30.0</b>
<a href="#">Dairy</a>	50.0	<b>59.0</b>	Back to farm	45.0	<b>55.0</b>
<a href="#">Palm oil</a>	95.0	<b>90.0</b>	Back to mill	70.0	<b>47.0</b>
<a href="#">Pulp and paper</a>	70.0	<b>74.0</b>	Back to the forest	60.0	<b>55.0</b>
<a href="#">Soya</a>	50.0	<b>55.5</b>	At least back to mill	35.0	<b>42.9</b>
<a href="#">Sugar</a>	60.0	<b>60.9</b>	At least back to mill	40.0	<b>40.3</b>
<a href="#">Shea</a>	0.0	<b>0.0</b>	Back to co-operative	0.0	<b>0.0</b>
<a href="#">Hazelnuts</a>	60.0	<b>65.0</b>	Back to farm	20.0	<b>20.0</b>
<a href="#">Vanilla</a>	95.0	<b>95.0</b>	Back to plantation	40.0	<b>40.0</b>
<a href="#">Meat, poultry and eggs</a>	11.6	<b>8.7</b>	Back to farm	6.7	<b>3.4</b>
<a href="#">Fish and seafood</a>	60.0	<b>60.0</b>	Back to boat/aquaculture	30.0	<b>55.2</b>
<b>All categories</b>	40.0	<b>54.0</b>	<b>All categories</b>	30.0	<b>43.0</b>

### Challenges in the supply chain

Across the supply chains for our priority ingredients and materials, there are a number of serious issues and challenges that we are working to address and, where possible, eliminate. Inevitably we have to prioritise such issues, and our approach to this takes into account a number of elements, such as volumes sourced, risks associated with the supply chain and the influence we will have within those markets. In many cases, the issues are larger than we can tackle by ourselves, so we work with a range of partner organisations to tackle the issues on the ground and ensure the standards we set are adhered to throughout the supply chain.

### Labour conditions

Labour conditions are a challenge across several supply chains, including [sugar](#), [hazelnuts](#), [vanilla](#), and [fish and seafood](#), although the specific issues vary from one ingredient to another. The most widespread and serious issue in both the sugar and the hazelnut supply chains is safe and healthy working conditions for labourers and, in particular, the many temporary migrant workers employed during the harvest period.

For many of these workers and their families, especially the hundreds of thousands of Kurdish families from southern Turkey who harvest hazelnuts, seasonal work is sometimes the only means of survival. The specific issues they face include: limited access to sanitation and potable water; overcrowding and lack of personal space and privacy; children not receiving education; and limited knowledge of safe working practices, such as the appropriate use, storage and disposal of chemicals. A lack of employment records, compensation discrimination and harassment are also issues that occur.

G4-EC7, Procurement practices G4-DMA, Supplier environmental assessment G4-DMA, G4-EN33, Supplier assessment for labor practices G4-DMA, G4-LA15, Child labor G4-DMA, Indigenous rights G4-DMA, G4-HR8, G4-HR9, Supplier human rights assessment G4-DMA, G4-HR10, G4-HR11, G4-SO2, Supplier assessment for impacts on society G4-DMA, G4-SO9, G4-SO10

Our partner Proforest has carried out a number of assessments for sugar and [soya](#) that have identified ways of helping farmers implement best practices and take remedial actions to correct issues.

Forced labour, safety and other social issues also occur in [palm oil](#) production, and there are further labour concerns in the fish and seafood supply chain. We are fully committed to ensuring that our products are not associated with forced labour through our mandatory Nestlé Supplier Code and RSG, which requires all of our suppliers to respect human rights and to comply with all applicable labour laws. In the case of fish and seafood, we are, for example, engaging with our suppliers in Thailand to identify any potential unlawful labour practices and pursue appropriate actions to eliminate such practices from our supply chain, as well as working alongside the Thai Government and the ILO.

 **Read more** about Nestlé's position on this issue in the [Nestlé Commitment on Labour Rights in Agricultural Supply Chains](#).

### Child labour

Child labour has been identified as an issue in our [hazelnut](#), [vanilla](#) and [cocoa](#) supply chains. We are committed to eliminating child labour from all our supply chains. Read more about how Nestlé is tackling this issue in [Human rights and compliance](#).

### Gender inequality

Gender inequality and discrimination remain widespread, and the contribution – both direct and indirect – of women in the supply chain often goes unrecognised, unrewarded and unrecorded. In our [cocoa](#) supply chain, for example, they perform many tasks, from planting seedlings and collecting cocoa pods to transporting, fermenting and drying the cocoa, but men often take responsibility for selling the cocoa, and the distribution of any financial compensation. And even when they combine this income with additional activities, such as growing other food crops, most women struggle to earn enough to maintain an acceptable standard of living.

Other barriers facing women include communities recognising male-only land ownership, the near-absence of women in leadership or managerial roles in cocoa co-operatives, and a lack of health and safety awareness and access to training and protective equipment. Our Action Plan on Women in the Cocoa Supply Chain sets out to address these issues.

### Deforestation

Deforestation is a major environmental issue that has long been associated with the [palm oil](#), [pulp and paper](#), and [soya](#) supply chains in particular, and also affects [sugar](#) production. Poor forest management and the loss of High Conservation Value (HCV) areas still remain a challenge. Rising consumer demand means tropical rainforests and associated peatlands have been cleared to make way for plantations, which contribute to greenhouse gas emissions, soil erosion, water pollution and a loss of biodiversity; working conditions and land conflicts over tenure rights are also an issue. Many NGOs actively campaign against unsustainable practices.

In 2010, Nestlé made a '[no deforestation](#)' commitment, stating that all of its products, globally, will not be associated with deforestation by 2020 (Nestlé also supports the [Consumer Goods Forum's](#) ambition for zero net deforestation by 2020). This commitment was the first of its kind by a food company, and covers all the raw materials we use to make our foods and beverages, as well as our packaging, making traceability and transparency crucial. A significant number of traders and manufacturers have since followed our lead and developed sustainable palm oil policies and 'no deforestation' commitments of their own. Within the soya supply chain, we work with Proforest to identify, categorise and maintain high-risk zones. In the Cerrado area of Brazil, for example, we only source products from land that has not been converted from HCV areas to other land use.

We are also developing and sharing tools to enable smallholder farmers to avoid deforestation and the loss of natural vegetation, and finding ways to help them minimise water consumption. In the sugar supply chain, for instance, remediation activities are implemented in conjunction with a network of local delivery partners in specific countries, who can bring additional local knowledge to the process.

### Land acquisition: respecting the rights of local and indigenous peoples

Land tenure is one of the eight key areas that are included in our [Rural Development Framework](#) and we are gathering data and insights on the status of farmers' property rights.

Secure rights to land and natural resources are essential to rural development. They help to reduce uncertainties and facilitate long-term investment; in contrast, insecure land rights lead to poverty, land degradation and forest conversion. Our efforts to improve land rights were recognised when we were awarded the industry-leading score for this category in Oxfam's 2015 Behind the Brand rankings.

Nestlé does not directly acquire or lease agricultural land, though we do acquire land for factory sites and a small number of demonstration farms. However, we do buy ingredients such as [palm oil](#), [soya](#) and [sugar](#), which are some of the common raw materials driving land acquisition and 'land grabbing'.

G4-EC7, Procurement practices G4-DMA, Supplier environmental assessment G4-DMA, G4-EN33, Supplier assessment for labor practices G4-DMA, G4-LA15, Indigenous rights G4-DMA, Supplier human rights assessment G4-DMA, G4-HR10, G4-HR11, G4-SO2, Animal welfare G4-DMA, Supplier assessment for impacts on society G4-DMA, G4-SO9, G4-SO10

A series of reports on the topic, including one from Oxfam into land tenure and supply chains, have explored food and beverage companies' land rights policies relating to sugar, palm oil and soya. Meanwhile, the Food and Agriculture Organization (FAO) of the United Nations produced Voluntary Guidelines on the Responsible Governance of Tenure (VGGTs) of Land, Fisheries and Forests in the Context of National Food Security.

In our Nestlé Commitment on Land & Land Rights in Agricultural Supply Chains, we adopt the FAO VGGTs, and commit both to zero tolerance for land grabs, and to holding suppliers accountable for community land rights. In short, we commit to source our raw materials from land that has not been illegally or unfairly taken. We advocate for others to do likewise, and work with a range of stakeholders to help the landless gain access to land, with a focus on tenure for women.

We have participated in a multi-stakeholder process hosted by the Rights and Resources Initiative and the Interlaken Group, which has developed operational guidelines for companies to operationalise the VGGTs.

The work of our partners, such as [TFT](#) and [Proforest](#), includes assessments of our suppliers – and their suppliers – to determine the status of land ownership and any land conflicts, and to ensure that the principles of Free, Prior and Informed Consent (FPIC) are applied during the due diligence process that leads to any new land acquisition.

### Farm animal health and welfare in the supply chain

Nestlé recognises and shares the concerns of our stakeholders about the welfare of animals raised for food and the need to ensure sustainable animal production systems. Through our Supplier Code and RSG, which contain a specific commitment on this issue, we are helping to bring about positive change throughout our supply chains.

In 2015, Nestlé continued to build on its public commitment to continuously improve the health, care and welfare of farm animals in our global supply chain.

Our mandatory [Nestlé Supplier Code](#) requires each of our suppliers of animal-derived ingredients to meet all applicable laws and regulations on animal welfare, and to communicate this to their suppliers and to the farmers themselves. To further improve the health, care and welfare of the farm animals in our supply chain – and to meet the expectations of our consumers and stakeholders – we have our [Nestlé Commitment on Farm Animal Welfare](#). We are committed to eliminating from our global supply chain specific practices that are not consistent with the internationally accepted Five Freedoms:

- Freedom from hunger, thirst and malnutrition;
- Freedom from fear and distress;
- Freedom from physical and thermal discomfort;
- Freedom from pain, injury and disease; and
- Freedom to express normal patterns of behaviour.

We fully support the work of the World Organisation for Animal Health (OIE) in promoting the implementation of these Five Freedoms in the global supply chain. Nestlé will also support the development and implementation of science-based international standards and guidelines by OIE.

Among the specific practices we have committed to eliminating are:

- For cattle: dehorning; tail docking, disbudding and castration without anaesthetic and analgesia; and veal crates;
- For pigs: gestation crates; tail docking; and surgical castration;
- For poultry and eggs: cage systems, particularly barren cages; and rapid-growth practices with respect to the effects on animal health and welfare; and
- For animal production systems in general: our first focus is the responsible use of antibiotics in line with the OIE's guidance, and the phasing out of growth promoters.

The Nestlé Commitment on Farm Animal Welfare serves as the basis of our Responsible Sourcing requirements on [meat](#), [poultry and eggs](#) and [dairy-based foods and beverages](#). We have a partnership with [World Animal Protection](#) to implement, refine and strengthen our Responsible Sourcing requirements.

We aim for our suppliers to demonstrate continuous improvement in meeting our RSG. We have been working with a number of our suppliers to trace our animal-derived ingredients back to farm. This includes farm-level assessments conducted by an independent third-party audit firm, SGS, to make sure that our requirements on farm animal health, care and welfare are being met. Several hundred assessments have been carried out since 2014 to ensure compliance with our RSG, with World Animal Protection present at a number of these visits. In 2015, we reported the findings of these assessments in our [Progress Report on Responsible Sourcing of Dairy, Meat, Poultry & Eggs](#), and carried out around 360 further assessments during the year. World Animal Protection supports Nestlé through sharing their expertise on farm animal health, care and welfare, and training SGS auditors on animal health and welfare matters, while we provide them with the opportunity to engage further with suppliers and to promote good farm animal welfare practices within the food industry.

### Business Benchmark on Farm Animal Welfare

In recent years, we have contributed to the stakeholder consultation process on the [Business Benchmark on Farm Animal Welfare \(BBFAW\)](#), a global measure of animal welfare standards in food companies supported by World Animal Protection and [Compassion in World Farming](#). In 2015, Nestlé remained in the 'Tier 3: Established but work to be done' ranking, indicating that farm animal welfare is an 'established' part of our business, but that there are areas for improvement.

### Farm animal welfare management ISO working group

Nestlé is actively involved in an international, multi-stakeholder working group to develop an ISO technical specification (TS) on farm animal welfare management. The goal of the proposed TS is to improve the living conditions of animals bred and kept for food production, and to provide a management tool to facilitate the implementation of the animal welfare principles of the OIE's Terrestrial Animal Health Code. Nestlé representatives contribute to the ISO TS working group through the Swiss Association for Standardization (SNV) and SSAFE (Safe and Secure Approaches in Field Environments), a public–private partnership dedicated to integrating food safety with animal and plant health. The working group is expected to develop the draft TS with a view to a vote in early 2016.

## Coffee

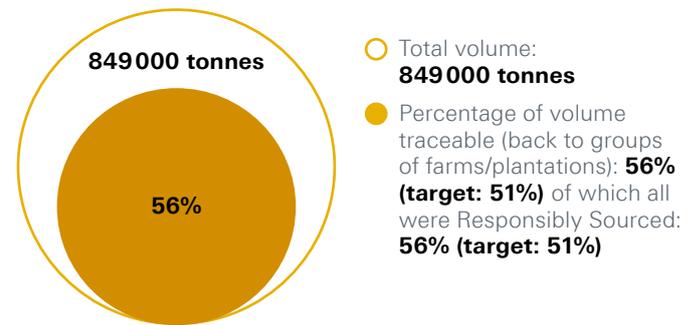
We sourced around 10% of the world's coffee production in 2015 for our coffee brands, including *Nescafé* and *Nescafé Dolce Gusto*. Our coffee is sourced both through trade channels and through Farmer Connect direct sourcing channels, representing 211 400 farmers, collectives and beneficiaries.

The origins of the coffee we purchase vary. Our *Nescafé* business has a broad geographical scope covering most of the coffee belt (which straddles the equator between the tropics of Cancer and Capricorn) across Latin America, Africa, Asia and Oceania. Meanwhile, *Nespresso* permanent Grand Cru coffees were sourced directly from over 74 000 farmers in 12 countries of origin, across Latin America, East Africa and Asia. Suppliers are carefully selected for the quality and aromatic profile of their coffees.

To reflect this variety, our coffee initiatives have been tailor-made to *Nespresso* as well as *Nescafé*.

For each contract for green coffee (which is processed and dried but not roasted), the [Nestlé Supplier Code](#) sets out the social and environmental standards we expect from our suppliers. We monitor compliance through the use of external verification or certification schemes, as well as periodic spot checks at suppliers' premises.

### Coffee supply chain traceability results



Our long-term ability to source the right quality and quantity of coffee for our major brands depends on the sustainability of coffee farming. Ageing trees, plant diseases, declining yields, volatile prices and climate change are just some of the threats to the livelihoods of coffee farmers, the vast majority of whom are smallholders of advanced age with no more than a hectare or two of land. Coffee growing is also being challenged by alternative crops considered by growers as better commercial prospects.

### Our initiatives

We support the responsible farming, production, supply and consumption of coffee through two major schemes:

- [The Nespresso AAA Sustainable Quality™ Program](#), which seeks to protect the highest-quality coffees required for *Nespresso* Grands Crus, preserve the environment and enhance farmer welfare; and
- [The Nescafé Plan](#), a global initiative that brings together our commitments and activities, ranging from on-the-ground support for the farmers who supply us directly and through trade channels to the application of plant science to improve yields and quality.

Both the *Nescafé* Plan and the *Nespresso* AAA Sustainable Quality™ Program have distinctive features, standards and requirements that reflect their different business models and sourcing operations. Nevertheless, all our coffee initiatives share a commitment to quality, productivity and efficiency, supported by our Supplier Code.

We are investing CHF 350 million in support of the *Nescafé* Plan over the decade 2010–2020. We also take part in a number of pre-competitive sustainable coffee initiatives, including the Coffee Working Group of the [SAI Platform](#) and [IDH's SCP](#), intended to facilitate the development of sustainable green coffee supplies, and WEF programmes in Vietnam, Indonesia, Myanmar and Mexico.

## The Nescafé Plan

### Our commitment



**Continuously improve our green coffee supply chain**

We have modified the wording of our coffee commitment to include the work of *Nespresso*. For added clarity, our objectives now specify the areas covered by *Nescafé* and those covered by *Nespresso*.

### Our objectives

- **By 2020** – *Nescafé* to source 90 000 tonnes of coffee that is compliant with the Sustainable Agriculture Network principles.
- **By 2020** – *Nescafé* to improve the quality, quantity and sustainability of its coffee supply chain by distributing 220 million coffee plantlets.

#### Cumulative total of coffee plantlets distributed through the Nescafé Plan (million)

2012–2014	2015	Goal: 220 million by 2020
73.8	26.8	
Total 2015: 100.7 million		

The *Nescafé* Plan is a global initiative bringing together our commitments and activities developed to support the responsible farming, production, supply and consumption of coffee. The *Nescafé* Plan has been rolled out in several countries since it started, and was active across 19 countries in 2015. The *Nescafé* Plan is designed to positively influence the value chains so that coffee farmers:

- Become more efficient and produce better-quality coffee;
- Ensure compliance with 4C Association’s Code of Conduct (see below) and the principles of SAN (an international coalition of leading conservation groups in sustainable agriculture, with standards for environmental protection, social responsibility and economic vitality); and
- Improve their environmental and social footprints, leading to better living conditions.

Within these activities, there are specific efforts to empower women and young people to become leaders in the coffee sector.

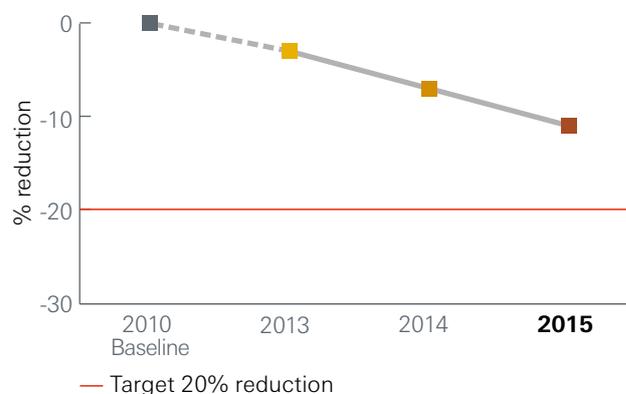
We will continue to procure Responsibly Sourced green coffee and invest in CSV initiatives aimed at promoting continuous improvements for coffee farmers participating in our value chains.

Nestlé is also committed to reducing energy and water usage in our factories. Within our *Nescafé* Plan, we have specific targets to reduce the energy and water used in the production process:

- By 2020, reduce the energy used per tonne of soluble coffee by 20% versus 2010 levels; and
- By 2020, reduce the water used per tonne of soluble coffee by 30% versus 2010 levels.

In the last four years, we have reduced energy usage by 11% and water usage by 32%.

**Reduction in energy usage per tonne of soluble coffee at Nescafé Plan factories** (% reduction since 2010 baseline)



**Reduction in water usage per tonne of soluble coffee at Nescafé Plan factories** (% reduction since 2010 baseline)



Read more in the [Environmental sustainability](#) and [Water](#) chapters.

The focus on good agricultural practices will continue, delivered in many origin countries via training and assistance through our global partnership with the [Rainforest Alliance](#) and actively supported by plant science research undertaken by our R&D Centre in Tours, France. These practices are also reflected in our [RSG](#) and specific requirements for coffee, which apply to all countries where we source green coffee.

The performance requirements (economic, environmental and social) apply to producers of all sizes, from individual smallholders to large estates, and are based on the Code of Conduct of the [4C Association](#).

### The 4C Code of Conduct

The Common Code for Coffee Community (4C) is a multi-stakeholder association composed of producers, civil society, traders and industry, designed to improve efficiency, profitability, transparency and sustainability in the production, processing and trading of coffee through training and verification. The [4C Code of Conduct](#), defined and maintained by the 4C Association, is the baseline for sustainability in the coffee sector. The code comprises 28 social, environmental and economic principles, covering the sustainable production, processing and trading of green coffee. For each principle, criteria are categorised green, yellow or red according to their level of sustainability. Green practices are desirable; yellow practices require improvement; and red practices must be discontinued. Producers can sell 4C-compliant coffee only if its practices meet a minimum average of yellow, as confirmed by independent verification. The 4C code also includes a list of 10 Unacceptable Practices. All 4C members and producer groups must eliminate these before they can claim their coffee is 4C compliant.

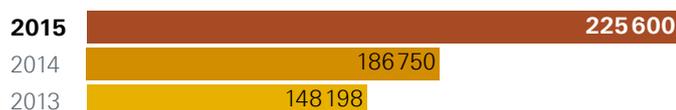
### Farmer Connect for the Nescafé Plan

Direct sourcing through Farmer Connect represents around 26% of our total coffee purchases. Through Farmer Connect, we source green coffee from 211 400 farmers/supply chain beneficiaries. Farmer Connect brings us closer to farming communities through direct relationships with farmers and co-operatives, or through partner intermediaries, so that we develop shorter, more efficient and more sustainable supply chains and drive positive change.

In addition, our sourcing staff provide value-added contribution services, including free technical assistance and training to improve efficiencies and quality, as well as mitigating environmental and social footprints, based on the *Nescafé* Better Farming Practices (NBFP).

Locally available, high-quality green coffee is vital to our coffee businesses. Many *Nescafé* factories are close neighbours to the coffee farmers on whom our production depends. Purchasing green coffee locally in an efficient way through Farmer Connect programmes helps us develop local supplies for our factories, and to work with growers to make improvements at a farm level to improve their livelihoods. It also means we keep the value-added activities in the countries of origin.

#### Total volume of green coffee sourced through Farmer Connect (tonnes)



### Coffee Centre of Excellence in Nicaragua



Nicaragua has more than 44 000 coffee producers, 97% of whom are smallholders with farms of 5 hectares or smaller. Coffee production represents over 18% of the country's exports, generating around 300 000 jobs, but yields are low, at 1200 kg per hectare. The industry also faces repeated occurrences of fungus-related diseases such as leaf rust, anthracnose and leaf spot, and pests such as the coffee berry borer. These problems jeopardise the profitability of coffee production.

The *Nescafé* Plan established a Coffee Centre of Excellence at Matagalpa in 2013, which aims to increase productivity by optimising the supply chain and providing technical assistance to growers.

The centre runs the Coffee Excellence Course, held weekly for five months and covering theoretical and practical training in soil health, setting up plantations, post-harvest work, quality and sales, and farm management. Small farmers from the key coffee-growing areas Matagalpa and Jinotega are invited to attend, with free food, accommodation and transport to help them.

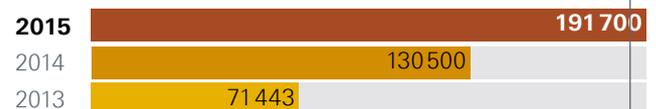
Since 2014, the centre has run five Coffee Excellence courses for 78 farmers, including 12 women. We follow up with all the growers to ensure they are applying good agricultural practices, provide updates on course modules, and organise field visits for growers to share experiences. We now aim to establish demonstration plots to measure production increases, and to reach all the coffee producers – around 700 – who have a direct relationship with Nestlé. We are also working to get the Coffee Centre of Excellence recognised by the Government's Technological Institute (INATEC).

#### Our objective

- **By 2015** – To improve the sustainability of the *Nescafé* supply chain, source 180 000 tonnes of coffee from [Farmer Connect](#), all of which are compliant with [the Common Code for Coffee Community's \(4C\)](#) baseline sustainability standard.

#### Volume of green coffee sourced through Farmer Connect which is 4C verified (tonnes)

Goal: 180 000 tonnes by 2015



We had committed to source 180 000 tonnes of green coffee through Farmer Connect, all of which was to be 4C verified. In fact, in 2015 *Nescafé* sourced around 225 600 tonnes of Farmer Connect coffee, of which 191 700 tonnes were Responsibly Sourced (4C verified), representing respectively 26% and 22% of the Group's entire green coffee volume.

## Nescafé Plan in Brazil



Brazil is the world's largest coffee producer, with 40% of global production, and a major source for Nestlé. Brazil can today be regarded as the most advanced country in the world for coffee agriculture.

Nestlé launched its *Nescafé* Plan in Brazil in 2011, when we hired our first coffee agronomist in the country. Two more were recruited in 2013. We began by developing a Farmer Connect network, as well as working with our partners Forzza and Kubit to pioneer the development of 4C units for robusta beans (also known as conilon in Brazil). Three units have so far been established, with a potential 4C-compliant production of up to 90 000 tonnes.

Supported by our R&D Centre in Tours, France, Nestlé has also worked with Incaper (Capixaba Research Institute, Technical and Rural Extension Service), to select the best-performing conilon clones that it has developed.

Through the *Nescafé* Plan, we have distributed 10 million coffee plants – enough to cover around 2700 hectares – at a subsidised cost to 500 Brazilian farmers, helping to improve yields and boost farmers' incomes. In addition, in 2015, through SENAR, a training service for rural workers, and Sebrae, an agency helping small businesses, Nestlé trained more than 700 farmers on farm management, safe use and storage of agrochemicals, and water use in agriculture. Further training with other partners has reached thousands of farmers over the last three years.

## Trade supplies for the *Nescafé* Plan

As well as sourcing through Farmer Connect, in recent years we have increased volumes of Responsibly Sourced (4C verified) green coffee from trade channels. In 2015, we sourced a total of 482 054 tonnes of Responsibly Sourced green coffee this way, representing 56% of the Group's green coffee volume.

We have also partnered with these traders and exporters to develop CSV initiatives for farmers participating in those value chains, all in full alignment with the *Nescafé* Plan objectives and the NBFP. These *Nescafé* Plan initiatives are implemented by the traders, exporters and co-operatives with our validation and monitoring.

## Farmer training and technical assistance

We are committed to providing training for farmers on the techniques and guidelines contained within our NBFP. Through our Farmer Connect programme, we provide technical assistance and training to thousands of coffee farmers every year, including training in various aspects of our Supplier Code.

During 2015, we trained 88 771 farmers and, by the end of the year, the cumulative total of farmers and farm workers trained since the *Nescafé* Plan was launched in 2010 reached 382 926. Our 388 Farmer Connect staff visited coffee farms throughout 2015, offering our Farmer Connect farmers local training, plant propagation and distribution, and technical assistance to help them implement good practices in the field aligned with the NBFP.

### Number of coffee farmers receiving technical assistance and training through *Nescafé* Plan Farmer Connect\*

2015	88 771
2014	134 078
2013	124 568

\* Excluding the *Nespresso* AAA Sustainable Quality™ Program.

Double-counting can occur but there is no double-counting in the 2015 figure.

## Developing a coffee-growing co-operative in the Philippines



The coffee-growing co-operative at Tagbina in the Philippines was experiencing low yields, which we attributed to the farmers having limited access to new technologies and modern farming techniques. With co-funding from investment firm DEG (with funds from the German Ministry for Economic Cooperation and Development), and ASSIST, an Asian-based development NGO, Nestlé set up a project to help the co-operative improve its yields.

As part of the project, we conducted coffee production technology seminars, ran 'train the trainer' sessions and helped the co-operative achieve 4C verification status. In addition, Nestlé established a buying station in Tagbina and developed a mother-plant garden, nursery and commercial demonstration farm, as well as supplying a mini-truck and a coffee dryer for the co-operative's green coffee buying operations. Finally, the co-operative's officers and board of directors were trained in business management skills.

A baseline study was conducted and a follow-up study, to measure the project's impact, will be completed in early 2016. Already, however, the co-operative is earning additional income from the stem cuttings from the mother-plant garden and is able to sell seedlings.

## Expanding coffee production in China



Tea has been China's national drink for 3000 years. However, the country is now one of the world's fastest-growing coffee markets. Nestlé began supporting coffee production in China in the 1980s. The Government wanted to help smallholders, who traditionally grew tea, maize or corn for poor returns, to escape poverty and so encouraged the growth of more profitable coffee.

Growth since then has been rapid; in Pu'er region, where most of China's coffee is grown, production has risen from zero in 1988 to more than 50 000 tonnes today – and it's still increasing. This has been helped by the establishment of Nestlé's experimental coffee farm, where tree types best suited to local conditions are chosen from plants bred at our R&D Centre in Tours, France. At Nestlé's Pu'er buying station, we purchase green arabica coffee beans grown locally for use in *Nescafé* through Farmer Connect.

Our agronomists work closely with China's coffee farmers and local authorities to help farmers improve yield and quality. We have run over 250 training courses, supporting more than 15 000 farmers to learn coffee-growing skills, processing and cup tasting. We've helped them to generate high yields and improve coffee quality, while teaching them sustainable production methods and ways to reduce production costs. Through the *Nescafé* Plan, introduced in China in 2011, we have developed farmer training to focus on the NBFP and implement the 4C Code.

### The role of plant science

Nestlé carries out extensive research into plant science to help farmers produce their crops in a way that ensures their long-term economic future and preserves the environment. We work through a network of R&D centres, together with Nestlé agronomists in producing countries and in close coordination with national agricultural institutes, private partners and local governments. Our activities are centred on:

- Plant selection and breeding to offer a better choice of plant varieties to farmers;
- *In vitro* research to preserve genetic diversity and deliver better plants to farmers;
- Developing a consumer-centric understanding of the quality of raw materials and how they impact our products; and
- Helping farmers through practices that improve productivity, crop quality and environmental protection.

This research is fundamental to our coffee programmes, and we've invested significant resources in developing higher-yield, disease-resistant coffee plantlets, as well as distributing millions of them to farmers around the world. This represents a long-term investment that far exceeds general development projects, starting with the seed or plant tissue and culminating in testing and monitoring how the plant performs in the field.

For example, our R&D Centre in Tours, France, has been testing new ways of eliminating coffee cherry pulps to reduce water use, while preserving the delicate quality of the coffee. In parallel, varieties of coffee trees that are more drought resistant are being developed, while others that are more productive and disease resistant allow for a better use of land and water. These tools are then offered to farmers through our sustainability programmes, such as the *Nespresso* AAA Sustainable Quality™ Program and the *Nescafé* Plan.

### *Nespresso* AAA Sustainable Quality™ Program

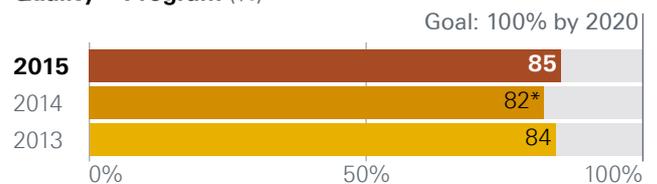
The *Nespresso* AAA Sustainable Quality™ Program, developed in collaboration with the Rainforest Alliance, aims to protect the highest-quality coffees required to meet the strict quality and taste standards for *Nespresso* Grands Crus, while preserving the environment and enhancing farmer welfare.

Through long-term, direct relationships with more than 74 000 farmers in 12 countries, the AAA Program ensures coffee supplies are traceable to farm level. Over 330 dedicated agronomists work closely with farmers on the ground, training them in sustainable farming practices, quality improvement and optimising farm productivity, thereby helping to secure their livelihoods through higher net incomes.

#### Our objective

- **By 2020** – Source 100% of the coffee for *Nespresso*'s permanent range through its AAA Sustainable Quality™ Program on coffee sourcing, and improve farmer social welfare.

#### Share of coffee in *Nespresso*'s permanent range sourced through the *Nespresso* AAA Sustainable Quality™ Program (%)



\* In 2014, *Nespresso* increased the volume of AAA coffee it purchased. However, the percentage of AAA coffee declined due to the increased purchase of coffees from Africa, where the AAA Program is not yet well established. *Nespresso* aims to purchase 100% AAA coffee by 2020, and is actively expanding the AAA Program in Ethiopia and Kenya to reach this target (see [page 120](#)).

At the end of 2015, *Nespresso* was sourcing 85% of its coffee through its AAA Sustainable Quality™ Program, with more than 290 000 hectares of farmland under active sustainable management. *Nespresso* plans to source 100% of its coffee from its AAA Sustainable Quality™ Program by 2020. It is also implementing innovative welfare solutions for farmers, such as a [pilot retirement savings plan in Colombia](#).

**Read our** about [Nespresso's Positive Cup goals](#) in Environmental sustainability

## Farmer Future Program helping farmers prepare for retirement



Through its Farmer Future Program, *Nespresso* is building on the existing capacities of its AAA Sustainable Quality™ Program to enhance the socio-economic development of coffee farming communities in Colombia. As part of this, an academic study was initiated with CRECE (Centro de Estudios Regionales Cafeteros y Empresariales), taking into consideration key elements, such as coffee price volatility, poverty, health, gender balance and education. The aim was to understand the current situation of Colombian farmers and develop initiatives that will guard farmers against the risks of instability in the coffee-growing sector through innovative solutions to farmer welfare. Among the study's findings was that only 7.5% of the farmers in the coffee-growing areas of Caldas and Antioquia have access to a pension scheme.

Consequently, *Nespresso*, [Fairtrade International](#), the Colombian Ministry of Labour, Expocafé, Cafexport, the Caldas Coffee Growers Committee and the Aguadas Coffee Growers Co-operative, supported by the [Colombian Coffee Growers Federation \(FNC\)](#), launched the first Farmer Future Program in March 2014, in the Caldas-Aguadas region. This was a pilot retirement savings plan, leveraging the Ministry's system of supporting people in old age, the Beneficios Económicos Periódicos (BEPS).

To maximise the savings being invested in the plan, the co-operative invests a proportion of the Fairtrade social premium paid by *Nespresso*, the farmer invests a variable amount and the government adds a 20% subsidy. Fairtrade International worked closely with the local farmers' co-operative to determine the best option in which farmers could invest their earnings, with the farmers choosing BEPS.

So far, around 1000 farmers have enrolled in the retirement savings plan. The first payments were made in May 2015, with *Nespresso* distributing around USD 440 000 (CHF 435 600) to farmers in Caldas.

As the AAA Sustainable Quality™ Program expanded, the number of farmers included in the initiative has also grown significantly.

Number of farmers in the AAA Sustainable Quality™ Program		
Year	Total AAA farmers	New farmers
2015	75 000	11 000
2014	63 000	1 000
2013	62 000	9 146
2012	52 854	8 249
2011	44 605	3 917
2010	40 688	14 221
2009	26 467	3 371
2008	23 096	16 871
2007	6 225	3 800

## Farmer training certification standards

Providing training and technical assistance to farmers on coffee quality, farm productivity and sustainable agriculture is core to the AAA Program. *Nespresso*'s network of more than 300 agronomists, supported by local partners, trains and assists farmers through a unique *Nespresso* methodology, the Tool for the Assessment of Sustainable Quality (TASQ™). TASQ™ helps farmers to meet the AAA standards for social and environmental criteria, such as water management, biodiversity and fair treatment of workers.

## Expanding the AAA Sustainable Quality™ Program in Ethiopia and Kenya

*Nespresso* is increasing its reach and impact in Kenya and Ethiopia to meet future demand, reduce poverty, enhance farmer welfare and progress towards sourcing all its coffee from the AAA Program. However, the supply chains in those countries present challenges, including farmer poverty, a lack of investment and low productivity. In addition, local trading channels, through commodity exchanges or auction houses, inhibit direct relationships with farmers – a key component of the AAA Program.

Through access to the AAA Program, as well as training from our non-profit partner TechnoServe to improve yields and crop quality, the incomes of thousands of smallholder coffee farmers should increase:

- In 2015, more than 14 000 farmers in Ethiopia and almost 6 800 farmers in Kenya joined the AAA Program. They are given advice on good agricultural practices from 56 local farmer trainers and have access to over 600 demonstration plots where they can practice applying their training;
- A survey carried out by TechnoServe among 400 Ethiopian farmers who joined the AAA Program in 2013 showed a significant increase of best-practice adoption; and
- More than 100 wet mills were supported by the AAA Program during the 2015 harvest in Ethiopia and Kenya, to improve sustainability.

## Reviving coffee production in South Sudan



In 2015, *Nespresso* launched *Suluja ti South Sudan* ('beginning of South Sudan'), the first-ever coffee to be exported from South Sudan and the country's first significant non-oil export in a generation. This represents a positive step towards rebuilding the country's economy, which was shattered by conflict. *Nespresso* became the first major coffee company to re-enter South Sudan in 2011, though the coffee industry was largely destroyed during the conflict: trees needed replanting, farmers required basic equipment and commercial infrastructure needed developing. To address these issues and revive coffee production, *Nespresso* collaborates with partner TechnoServe and the Ministry of Agriculture, Forestry, Co-operatives and Rural Development.

To date, *Nespresso* has invested more than CHF 700 000 in reviving the coffee industry in the Yei region of the country. The company aims to invest CHF 2.5 million in the coming years and to expand the programme to include several thousand farmers by 2020. Focusing on Yei, the hub of the country's coffee production, the programme aims to help smallholder coffee farmers to improve yields and quality. Specific initiatives include a coffee replanting programme, implementing centrally located wet mills, providing agronomy training, and developing commercial channels for sales and exports. Six coffee co-operatives have been established, around 900 farmers have so far received support and training, and six wet mills have been put in place. Farmers delivering their coffee to the wet mills have earned a 40% premium over the local market price.

*Suluja ti South Sudan* became available for the first time in October 2015 to *Nespresso* Club Members in France, albeit in limited volumes. *Nespresso* sees this as a long-term investment in helping revive South Sudan's coffee industry and does not expect to make a return on investment for many years. However, *Nespresso* believes the project has the potential to stimulate significant economic growth in the region.



I have seen that there is great change within the community. We want to produce the right quality. People now have hope. We will be able to pay school fees for children and in the end develop the country."

**Joseph Malish Thomas, Farmer, South Sudan**

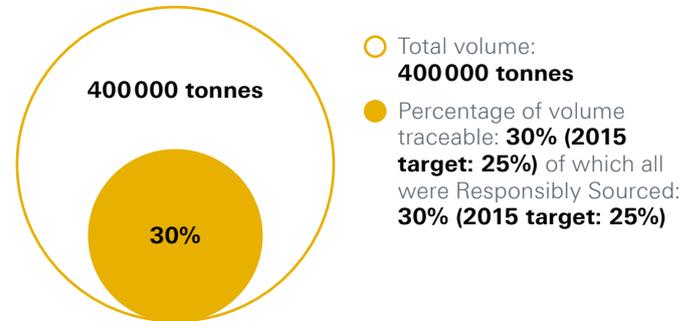
## Cocoa

Cocoa, the most important ingredient in chocolate, is grown in remote rural regions by more than 4.5 million farmers, and Nestlé uses around 10% of the world's production. Major cocoa-growing countries include Côte d'Ivoire, Ghana, Brazil, Ecuador, Venezuela, Mexico and Indonesia.

This year, we purchased 400 000 tonnes of cocoa. Of this, some 121 481 tonnes (30%) was sourced through the Nestlé Cocoa Plan.

## Traceability in the supply chain

### Cocoa supply chain traceability results



## The Nestlé Cocoa Plan

### Our commitment



### Roll out the Nestlé Cocoa Plan with cocoa farmers

The Nestlé Cocoa Plan seeks to address key challenges within the cocoa supply chain. In particular, it aims to improve the profitability of cocoa farmers and help secure a long-term supply of high-quality cocoa for our business, while addressing issues surrounding gender inequality and child labour (see [Human rights and compliance](#) for more details about our work to identify and eliminate child labour from our cocoa supply chain).

### The pillars of the Nestlé Cocoa Plan

Activities fall under three main pillars:

#### Enabling farmers to run profitable farms, through:

- Farmer training;
- Higher-yielding cocoa plants;
- Access to better inputs; and
- Rewarding farmers for good-quality cocoa.

#### Improving social conditions by:

- Assisting with solutions for identified cases of child labour, with practical help for children, mothers and communities, such as school building;
- Promoting gender equality; and
- Water and sanitation provision.

#### Long-term supply of sustainable, quality cocoa by:

- Building long-term supply chain relationships;
- Supply chain transparency to farmer group; and
- Respecting the environment and avoiding deforestation.

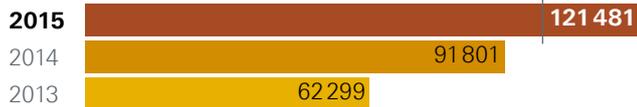
Underlying these pillars is a multi-stakeholder approach based on transparency and collaboration with partners, in which we work with partners such as WCF's CocoaAction, the Fair Labor Association, UTZ Certified, Fairtrade, IDH, local NGOs and research organisations.

**Our objectives**

- **By 2015** – Source 100 000 tonnes of cocoa through the Nestlé Cocoa Plan and complete our school building programme to build 40 schools in four years.

**Volume of cocoa purchased under the Nestlé Cocoa Plan (tonnes)**

Goal: 100 000 tonnes by 2015



- **By 2016** – Source 130 000 tonnes of cocoa through the Plan and complete the roll-out of our Child Labour Monitoring and Remediation System (CLMRS) to identify child labour in all *Nestlé Cocoa Plan* co-operatives in Côte d’Ivoire\*. (See [Human rights and compliance](#) for more information.)
- **By 2017** – Source 150 000 tonnes of cocoa through the Nestlé Cocoa Plan.
- ⊕ **By 2018** – Source 175 000 tonnes of cocoa through the Nestlé Cocoa Plan.

\* We have updated our sourcing target for 2016.

To ensure a sustainable supply of good-quality cocoa, we plan to continue increasing the amount of cocoa purchased through the Nestlé Cocoa Plan. In 2015, we purchased 121 481 tonnes of cocoa – 30% of our total – through the plan, and will increase this annual figure to 130 000 tonnes in 2016 (an increase to our original goal of 120 000 tonnes) and to 175 000 tonnes in 2018.

A high proportion of this cocoa was sourced from farms and plantations that meet the UTZ certification Code of Conduct for Cocoa standard, one of the largest sustainability programmes for coffee, cocoa and tea, and the Fairtrade certification standard.

As well as increasing the volume of cocoa procured through the Nestlé Cocoa Plan, we also aim to increase the proportion of all our global cocoa supplies represented by it.

**Global cocoa supply sourced via the Nestlé Cocoa Plan (%)**



**Number of high-yield, disease-resistant plantlets distributed (million)**



**KitKat cocoa becomes sustainably sourced**



*KitKat* has become the first global confectionery brand sourced from 100% certified sustainable cocoa, supplied through the Nestlé Cocoa Plan. The initiative, which coincided with *KitKat*’s 80<sup>th</sup> birthday, will take place from the first quarter of 2016.

*KitKat* already used only sustainably sourced cocoa in certain markets, but will now extend this worldwide, including to the United States.

The achievement of 100% sustainable cocoa is in line with what the UTZ and Fairtrade schemes allow in managing a mass balance approach.

**Training farmers**

We trained 44 617 cocoa farmers in better agricultural practices in 2015. A variety of methods, including farmer field schools and farmer business training, were used to help improve farm profitability. Subjects included good agricultural practices, such as pruning, which encourages greater fruit growth and helps control plant disease.

**Number of cocoa farmers trained**



**Cocoa Plan takes root in Ecuador**



Ecuador exports about 65% of the fine cocoa produced worldwide. However, its unique floral cocoa is under threat, due to farming practices that are substituting local trees with other varieties that have better yields. The majority of the floral variety, known as *nacional*, are controlled by smallholders, who have reacted to decreased crop yields by planting the new breeds.

As part of the Nestlé Cocoa Plan, our objective is to ensure the long-term, responsible supply of cocoa beans from Ecuador to Nestlé, while improving social and environmental conditions for farmers, their families and communities. Through the plan, we improve farmers’ technical skills, using workshops, classroom and field training, and certification programmes. We also encourage the planting of *nacional* and other cocoa trees to reforest and improve biodiversity, and have distributed approximately 700 000 *nacional* plants to farms since 2009.

The Nestlé Cocoa Plan has had a direct impact on farmers. In 2014, 2930 farmers and their families benefited. By the end of the year, 699 farms were UTZ certified for social and responsible farming.

## Putting the Nestlé Cocoa Plan into practice in Côte d'Ivoire



Côte d'Ivoire's cocoa sector faces numerous challenges. Nestlé, in partnership with the FLA and other organisations, is working closely with cocoa co-operatives to tackle these issues. One such co-operative is USCRG, comprising 895 farmers in the Gôh region. Our work with them focuses on the three pillars of the Nestlé Cocoa Plan – improved profitability for farmers, improved social conditions and improved sourcing.

Many of the co-operative's farms are ageing so, in 2010, we created a nursery to grow new, high-yielding plants. Around 30 000 plants are distributed free of charge to farms each year and, once matured, are expected to improve yields significantly, perhaps by more than double, boosting farmers' incomes. To support this, we train farmers in good agricultural practices, such as farm maintenance and harvest techniques. Farms are audited independently and farmers implementing good practices receive certification. Subsequent annual inspections and incentives promote continual improvement.

Improving social conditions – in particular addressing child labour and women's empowerment – is a key element of achieving better lives. We have installed our Child Labour Monitoring and Remediation System (CLMRS) in the co-operative, and work with farmers to raise awareness of the issues. We help children in need, for example by providing school kits and, since 2012, we have built or refurbished eight schools in the USCRG area.

Nestlé also supports women to develop their own incomes by growing crops such as cassava, banana plantain and vegetables. Through the community-led Gender Action Learning for Sustainability methodology, we are helping community members make individual action plans, and providing opportunities for women to have their voices heard. Together with the [International Federation of Red Cross and Red Crescent Societies \(IFRC\)](#), Nestlé is also supporting hygiene improvement, such as rehabilitating water pumps and building sanitary facilities. Currently, 23 villages have hygiene or sanitation programmes in place.

We work with the co-operative in helping them to set their plans for the next three years. What is important is that the co-operative decides for itself what it wants to do, rather than having it imposed from outside. With a significant investment, both financially and in resources, the work at USCRG is already demonstrating real benefits, both for the farmers and their families, and in securing a sustainable supply chain.



Read more in the [Human rights and compliance](#) chapter.

## Investing in plant and soil research

Activities such as agronomic research into soil fertility, plant nutrition and the improvement of farming systems, together with the distribution of cocoa plants, are major factors in enabling cocoa farmers to grow more and higher-quality crops over the long term and thus improve their income. Nestlé continued to run our [30 hectare experimental and demonstration farm](#) at Zambakro, Côte d'Ivoire, in 2015, which serves as a farmer training academy and a plant research and propagation centre. In addition, we propagated and distributed 1.7 million plants in Côte d'Ivoire.

## Building schools

Building schools helps create better opportunities for the children in the communities from which we source cocoa. In 2015, we continued our programme, building two six-classroom schools to make a total of 42 schools built or refurbished since 2012.

## Nestlé and IFRC continue partnership in West Africa

Nestlé has a long-standing collaboration with the [International Federation of Red Cross and Red Crescent Societies \(IFRC\)](#) dating back to 2006. Our work together has particularly focused on improving rural communities' access to water. Through this collaboration, some 228 861 people in Côte d'Ivoire's cocoa-growing communities have benefited from access to clean drinking water and sanitation. We now plan to extend improvements in hygiene and sanitation in rural communities into neighbouring Ghana. Read more in the [Water](#) section.

## Gender equality

Nestlé firmly believes that empowering women with more life opportunities, knowledge and skills enables them to raise healthier families, leading to more children going to school rather than working on the family's cocoa farms. Our commitment to gender equality includes supporting the [UN Every Woman Every Child](#) initiative, signing up to the [UN Women's Empowerment Principles](#), our [Action Plan on Women in the Cocoa Supply Chain](#), and exploring what more we can do to improve the lives of women operating in our supply chains.

## Empowering women in Côte d'Ivoire



To better understand the role women play in the cocoa supply chain, the risks and obstacles they face and their potential role in improving labour conditions, we asked the FLA to generate a specific gender report when assessing working conditions in our cocoa supply chain in Côte d'Ivoire.

To analyse women's roles more specifically, the FLA team conducted an additional 370 interviews, including individual interviews with 244 rural women in cocoa-producing communities. The [resulting report](#) assesses the roles of women, describes the unique risks they face and makes recommendations on how to improve their conditions, covering: the encouragement of equal opportunities among co-operative members; registering cocoa farms under both a producer's name and that of his wife; ensuring women can purchase cocoa seedlings and access personal protective equipment; making training sessions more welcoming for women; and establishing ways for women to redress grievances.

These recommendations were used to update [Nestlé's Action Plan on Women in the Cocoa Supply Chain](#). This action plan outlines our vision to empower women for better livelihoods and to eliminate child labour (see [Human rights and compliance](#)) in Nestlé's supply chain. An [update](#) detailing the progress made between August 2014 and January 2015 has since been published. We understand that there are no easy answers, that this will be a learning process and that all stakeholders need to play their part. Nonetheless, we have committed to act in three key ways:

- **Promoting gender awareness:** working with our suppliers, we have organised training on gender issues for co-operatives in the Nestlé Cocoa Plan in Côte d'Ivoire and our suppliers' field staff. The aim of the training sessions – first held at our demonstration farm at Zambakro – is to challenge people's perceptions, explore ways to help them overcome barriers, set up action plans and open up roles to women, such as lead farmers, nursery managers, co-operative managers and community officers. We held training sessions with members of 25 co-operatives in 2015, with each session resulting in an action plan; we aim to cover a further 25 co-operatives in 2016 and all co-operatives by 2017. We also encourage co-operatives to select women to lead Nestlé nurseries growing cocoa plantlets. Of our 37 nurseries, 27% are now led by women – up from 23% in the previous season.

- **Giving women a voice:** we commissioned the FLA to work with two women's associations in 2015, to create a point of contact and a platform through which women can engage with each other, local authorities and Nestlé. The opportunity for dialogue could be used to voice their concerns and explore issues, such as personal protective equipment for women; grievance, counselling and support services; literacy; and access to credit. We aim to extend this further.
- **Helping increase their income:** we encourage the distribution of cocoa plantlets to women, and access to training. We also help them to produce other food crops, for both household consumption and sale, initially focusing on cassava with one of our suppliers, Olam. High-yielding cassava varieties will be made available to more than 2000 women by 2016 and two cassava nurseries have been established; we will track incomes over time. Income-generating activities aimed at women in all our co-operatives are supported by a specialist recruited by the [International Cocoa Initiative](#) (ICI), as well as staff from ANADER, Côte d'Ivoire's national rural development agency. In 2015, we rolled out similar income-generating activities to 321 women across 16 co-operatives. Our crop diversification programme has been accepted for inclusion in the [Cocoa Livelihoods Program](#), the World Cocoa Foundation-led initiative that aims to double the income of approximately 200000 smallholder cocoa-farming households in Central and West Africa.

To build on the successful activities to date, as well as delivering these activities to more co-operatives and farmers, we aim to trial expanding farmer training to all workers, including women. We also aim to incorporate gender and child labour awareness training in standard farmer field schools.

 **Read more** in the [Human rights and compliance](#) chapter.

## Dairy

Dairy is our single biggest category by volume, with 15 million tonnes of fresh milk and milk derivatives bought in 2014<sup>4</sup> through and sourced from Tier 1 suppliers.

Fresh milk and milk derivatives are used as ingredients in a range of our foods and beverages, including ice cream, beverages, confectionery, infant nutrition and culinary items.

### Fresh milk: our 'milk district' model

To ensure a regular supply of high-quality fresh milk, we work in true partnership with local farmers. This forms the core of our milk district model, which was first used in the 1870s and is still operating in 31 countries, including Brazil, Chile, China, India, Mexico and Pakistan. An integral part of our [Farmer Connect](#) programme, this approach helps us develop shorter, more sustainable supply chains and drive positive change through direct relationships with farmers and farming communities.

Nestlé sourcing staff work with supply chain support workers in the field to help about 352 000 dairy farmers who supply our factories directly, many of whom are located within our milk districts. With close links to farmers around the world, Nestlé can provide facilities to support rural development through its supply chain.

Nestlé milk districts benefit milk farmers and their families, while milk and derivative products play an essential role in customer nutrition. Milk contains good quantities of first-rate protein, and is also an important source of energy, protein, calcium, magnesium and phosphorus, as well as many essential vitamins and trace minerals.

Sourcing safe, high-quality milk, a key ingredient for Nestlé, is a chief priority, and procurement directly from farmers and co-operatives makes traceability easier. To ensure quality, we have an assurance plan with training and manuals detailing good farm practices for each district; farms are assessed regularly to ensure that these requirements are met.

### How the milk district model works

Milk is supplied daily by farmers to our collection centres, directly to our factories, or to contracted third parties. Often, we collect milk in trucks that go around to small dairy farms. The price paid varies according to the quality of the milk. Milk is highly perishable so, in some cases, we also provide the necessary storage and cooling infrastructure to maintain a constant supply of high-quality milk to our factories, many of which are located in the heart of our milk districts.

Our milk district model brings us close to the farmers on whom we rely for quality milk – from small-scale producers to large dairy farms – which means we understand the practical problems that affect their businesses, and ours, over the long term. Each farming environment has different individual, regional or national characteristics and challenges, so we don't impose a one-size-fits-all approach; the relationships we build with farmers enable us to identify their particular issues and we work together to resolve them.

These challenges influence quality milk supply, responsible sourcing and environmental sustainability. Our approach means that whether it's an individual farmer with one cow in Sri Lanka or a large farming business in the United States, every litre of milk we purchase will meet our stringent quality and safety standards.

## Our fresh milk is collected using our milk district model

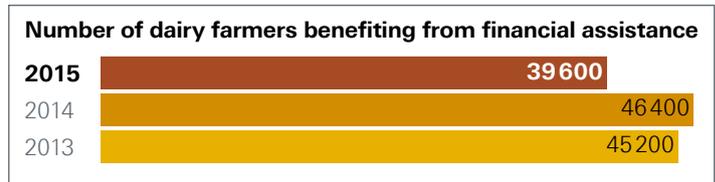
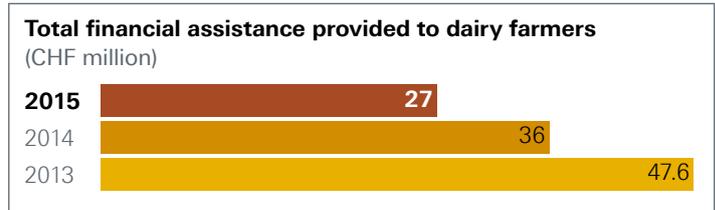
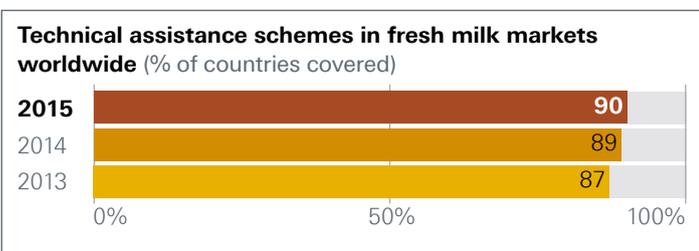
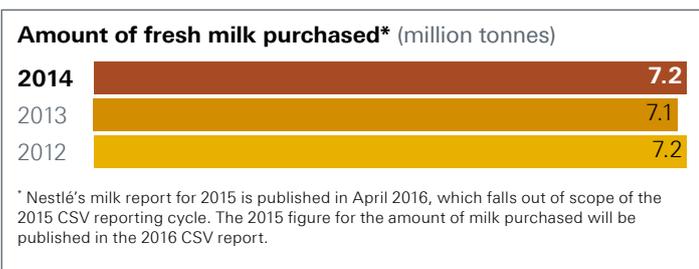
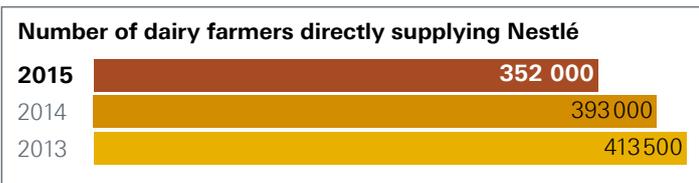
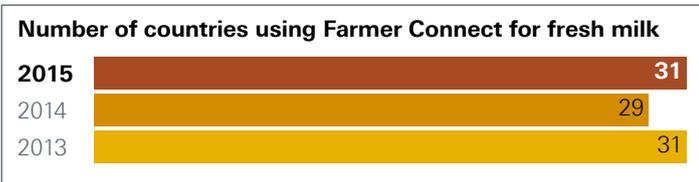
First used in the 1870s in Switzerland, this involves the provision of:



Nestlé's milk report for 2015 is published in April 2016, which falls out of scope of the 2015 CSV reporting cycle. The 2015 figure for amount of milk purchased will be published in the 2016 CSV report.

<sup>4</sup> Nestlé's milk report for 2015 is published in April 2016, which falls out of scope of the 2015 CSV reporting cycle. The 2014 figure is, therefore, the most recent year for which we have complete data.

Creating Shared Value in milk districts		
Value for Nestlé	Value for farmers	Value for rural communities
<ul style="list-style-type: none"> <li>Quality, safety, volume growth, cost efficiency;</li> <li>Regular, long-term, local supply;</li> <li>Close links with local farmers; and</li> <li>Continuously enhancing farming practices and standards.</li> </ul>	<ul style="list-style-type: none"> <li>Regular income;</li> <li>Secure route to market; and</li> <li>Access to local infrastructure for collection, storage, chilling and transport.</li> </ul>	<ul style="list-style-type: none"> <li>Milk factory opportunities: employment, training, personal development; and</li> <li>Indirect employment and economic activity (local contractors, agents).</li> </ul>



In our Farmer Connect programme for dairy, we often use the [RISE evaluation method](#) to assess farms' sustainability and address any gaps identified. Based on these farm-level RISE assessments, we understand the many and varied challenges affecting dairy farming and sustainable milk supply. As well as farm animal health and welfare, RISE includes waste management, fodder production, energy consumption and managing water supplies, and environmentally harmful emissions of ammonia and methane.

**Advice, training and assistance**

The expertise and dedication that make it possible for us to assist with quality and other issues comes from 10 100 Nestlé sourcing staff and supply chain support staff working in the field worldwide. Their knowledge and relationships with small-scale dairy producers and co-operatives help build a responsible milk supply chain, from farm to factory. The assistance we offer our dairy farmers ranges from direct technical advice on silage and fodder production to linking up with local veterinary services.

Advice and assistance are often provided outside the farm. For example, we operate a toll-free hotline to provide assistance to producers in Brazil. Trained advisors address milk suppliers' requests, questions and complaints quickly and efficiently, leaving field supervisors free to focus on activities on the farm. We piloted milk supply 'loyalty contracts' between Nestlé Brazil and dairy farmers. Through *Programa Aliança*, loyalty is rewarded with incremental price incentives, which improves trust and facilitates collaboration.

In some cases, we also provide access to finance to enable farmers to expand their operations. In 2015, around 39 600 dairy farmers benefited from a total of CHF 27 million of financial assistance.

## Venezuela's Dairy Development Plan



The Venezuelan Dairy Development Plan was launched in 2005 as a comprehensive framework to revamp fresh milk production in Venezuela. The plan strengthens dairy farmers' capabilities through technical and financial support, facilitating increased productivity and improved milk quality.

Confirming its commitment to the growth of local production, and leveraging the experience acquired since the plan began, Nestlé Venezuela is now offering a comprehensive training programme for dairy producers. Endorsed by the Inter-American Institute for Cooperation on Agriculture, the programme comprises seven modules, totalling more than 100 hours of training and including theory and field practices led by experts in each area. The modules include production systems and animal welfare, milk quality, feed, reproduction and genetic improvement, farm economics, sustainability and water. The programme will be carried out in collaboration with the local governments with which we signed partnership agreements in 2015.

In keeping with Nestlé's commitments to sustainability and water conservation, the Dairy Development Plan includes activities around environmental issues. These cover topics such as: climate change; the sustainable use of resources; training producers in the management of pastures and improvement of grasses; planting trees for shade and using them to improve soil or as a source of wood; access and decontamination of water; and conservation of water sources and their sustainable use.

In 2015, the plan supported 804 ranchers in Táchira, Barinas, Apure and Portuguesa states. Together they supplied the Nestlé factory with nearly 50 million litres of milk – 90% of the annual target and 7.1 million litres more than in 2014.

Farms within the plan generate around 6890 direct and 8923 indirect jobs, while around 16000 family members benefit from social plans that respond to the communities' needs, and which are aligned with the vision of Creating Shared Value.

## Continuous Improvement Group for dairy farmers



Dairy farming in northern Spain has high production costs and low profitability, with many farmers leaving the business, jeopardising the future of the region's milk supplies.

To address these and other concerns, Nestlé established the Continuous Improvement Group in collaboration with the University of Santiago de Compostela (USC). Each farmer's economic viability is assessed, and solutions sought to ensure a safe, high-quality milk supply.

Participation is voluntary, though farmers must be prepared to critically review their own farm structure and reflect on their management practices. So far, 29 farmers have enrolled. Nestlé provides advice and training in farming techniques and resource management, while respecting the environment. USC assesses farms' performance, its workshops provide forums for farmers to discuss issues and concerns, and field trips enable farmers to see how others work.

Between 2010 and 2014, the group's farmers saw milk average production increase by 27% (475000 litres to more than 650000 litres), and a 16% increase in yield per cow. Micro-credit lines helped farmers implement environmental improvements, and several technical workshops have been held. The programme has also allowed Nestlé Spain to better understand the production environment and identify farmers adhering to Nestlé's policies and requirements regarding milk quality and sustainability concerns.

The programme now aims to implement further energy-saving technologies, and invite more farmers to participate.

## Farmer Help Camps

Nestlé Pakistan procures fresh milk from 150 000 farmers, either directly or through third parties. Most farmers have four to five animals, with an average milk production of fewer than eight litres per day for cows and four litres for buffalo, which means there are significant opportunities to increase yields and farmers' incomes.

After the 2010 floods that destroyed crops and left many people in Pakistan homeless, Nestlé initiated Farmer Help Camps, bringing food, relief and financial support to more than 50 000 people. To help farmers rebuild agricultural capacity, Nestlé funded a vaccination programme for 300 000 animals, and provided advice on animal husbandry and fodder production.

Following their success, Farmer Help Camps have continued to be rolled out, with veterinary and agronomy specialists visiting villages to support and train farmers and raise awareness of good agricultural practices. Specialists organise one or two Farmer Help Camps weekly. Activities include animal vaccinations and/or deworming, advice on using animal drugs; introducing low-cost, quality concentrate animal feed; advice on fodder production and fertiliser use; disseminating information on good practices; organising awareness camps at schools; and helping farmers prepare for future disasters.

Since 2010, around 17 000 camps have been held, with a total attendance of nearly 330 000 participants.

## Procurement of milk derivatives

Nestlé buys a large quantity of milk derivatives, such as whey protein, lactose, cheese and milk powders. These are used in many applications, including healthcare products, beverage mixes, ready-to-drink milk and infant formula.

The best raw materials are vital in foods and beverages for [mothers and infants](#). Infants and young children are much more sensitive to contaminants because their organs and immune systems are not fully developed and their diets are less varied than those of adults. While infant nutrition is tightly regulated around the world, guidelines and requirements differ between countries. However, we often go beyond local legislation: the dairy-based ingredients we use in our baby food must comply with our own global standards, which are among the strictest in the world, and must be 100% traceable.

## Verification and certification

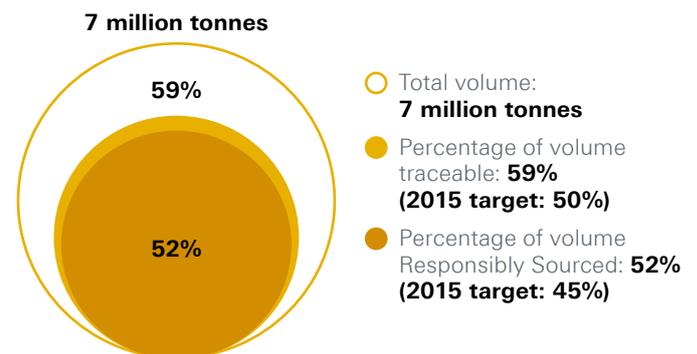
We work with independent auditor, SGS, for dairy foods (as well as for [meat, poultry and eggs](#)). SGS conducts farm assessments in our suppliers' upstream supply chains against our RSG, with a focus on farm animal welfare, labour practices and environmental impacts. It uses the Responsible Sourcing Assessment protocol we developed with [World Animal Protection](#).

- In 2015, 130 dairy farm assessments were carried out worldwide. Issues found ranged from missing documentation (e.g. training and fertiliser application records) to issues concerning painful procedures, such as thermal disbudding without local anaesthetic; and
- Some of SGS's assessments were attended by representatives from World Animal Protection, who also support Nestlé in training SGS auditors on animal health and welfare issues. Six training sessions were delivered by our Global Procurement Team to 40 SGS auditors in 2015, covering Nestlé's RSG requirements and the assessment process, while World Animal Protection conducted training on farm animal welfare. We are gradually implementing our [RSG](#) and category-specific requirements along our global supply chains. These reinforce our specific commitments on farm animal welfare, and cover breeding, feeding, housing and husbandry, health, transport and slaughtering.

## Traceability in the supply chain

By the end of 2015, we had made good progress on traceability and Responsible Sourcing for dairy products.

### Dairy supply chain traceability results



## Palm oil

We bought around 420 000 tonnes of palm oil in 2015 – around 1% of the global production – from a number of processing companies that source oil from Malaysia, Indonesia and other countries.

We mainly use palm oil as a cooking oil and as an ingredient in food categories, such as confectionery and culinary.

## Verification and certification

Our category-specific requirements for palm oil require our suppliers to source oil from plantations that:

- Comply with local laws and regulations;
- Do not come from areas cleared of natural forest after November 2005;
- Respect the FPIC of local and indigenous communities;
- Protect high-carbon-value forests;
- Protect peatlands; and
- Comply with the principles and criteria of the [Roundtable on Sustainable Palm Oil](#) (RSPO), the industry-wide certification body that promotes the growth and use of sustainable palm oil products.

The Nestlé RSG also goes beyond the RSPO standard. The RSG makes explicit provisions for the protection of peatland and high-carbon forest, which are critical in combating deforestation, and for preventing social conflict arising from potential disputes over land rights and land acquisition.

### Traceability in the supply chain

Nestlé is working with its suppliers towards plantation-level traceability for all our foods and beverages, but in the palm oil supply chain there has been a lack of available information. To address this, we use our Traceability Declaration Document (TDD), which suppliers complete quarterly to declare the supply chain linked to our foods and beverages. Although information gaps remain, the TDD allows for unprecedented transparency and facilitates discussions with suppliers to address those gaps.

The information obtained is used to determine which mills and growers are prioritised for assessments, so that we can better understand their practices and provide ways to strengthen policies, systems and practices against our RSG. This is a necessary first step to reach our ultimate goal of having our entire supply chain RSG compliant.

Although there are many challenges, we remain determined to collaborate with others to make progress towards our goals. Together with TFT, we have made major progress in engaging with leading suppliers – notably Sime Darby, Wilmar International, Cargill and a collaboration between Golden Agri-Resources in Indonesia and Oleofats in the Philippines – that have established traceable supply chains that are also assessed against the RSG. For example, Florin AG, based in Switzerland, has established its own Palm Oil Sourcing Policy that aligns with our own – all the oil it purchases is traceable, RSPO certified and deforestation-free.

Since 2010, we have used RSPO GreenPalm certificates to offset our purchases of palm oil and contribute to the development of best practice in the palm oil industry. This mechanism has helped us demonstrate our sustainability commitments to suppliers, plantation owners, customers and consumer communities. But it was always a temporary solution while we identified palm oil origins and started to assess and help remediate the root causes of deforestation and poor labour conditions.

Following last year’s decision to phase out the use of RSPO GreenPalm certificates to offset our purchases of palm oil, we have begun working towards this aim. In January 2015, we started phasing out the purchase of GreenPalm certificates for the palm oil that is traceable back to the mill and began diverting resources to partnership activities to support palm oil smallholders.

As a first step towards supporting smallholders, Nestlé is funding [Rurality](#), an initiative of TFT that aims to engage with smallholders, identify scaleable improvement opportunities and build a train-the-trainer model that facilitates the sharing of best practice. As Rurality develops, we will align our Rural Development Framework with it; TFT is currently identifying five countries to work with.

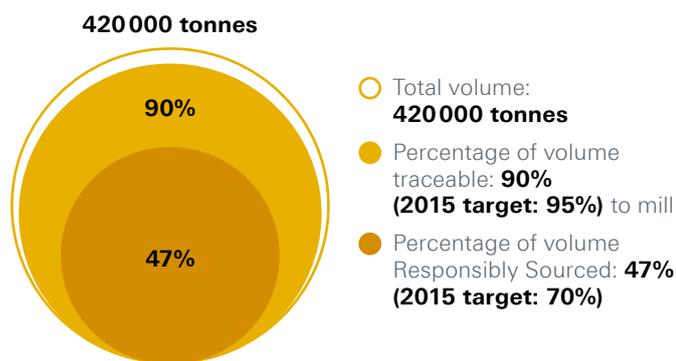
 [Read our latest Progress Report on Responsible Sourcing of Palm Oil.](#)

### Palm oil study tour to Indonesia



In October 2015, Nestlé organised a multi-stakeholder study tour to Sumatra, Indonesia. The tour included palm oil suppliers Golden Agri-Resources and Musim Mas, as well as environmental NGOs, Rainforest Action Network (RAN), Greenpeace, and the Forest Peoples Programme (FPP). The visit was organised in conjunction with TFT. Through this study tour, Nestlé was able to generate dialogue with the NGOs and supply chain partners concerning the very complex issues found throughout the palm oil industry. These challenges include, but are not limited to, smallholder/dealer traceability, clearing by smallholders, labour practices on plantations, conflict situations with communities, and encroachment on protected areas. Through the active exchange with participating organisations on the tour, Nestlé will look to apply many of the findings and reflections into its Responsible Sourcing programme. Nestlé acknowledges that collaboration with relevant stakeholders is critical, with each playing their particular role, for the achievement of zero deforestation in the palm oil industry.

### Palm oil supply chain traceability results



### GreenPalm certificates

We have almost reached our newly stated, more ambitious target for increased traceability and supplier engagement. However, we also recognise that until traceability becomes feasible for all supply chains, including for complex blends of palm-based derivatives, [GreenPalm certificates](#) will have a role to play in supporting producers of certified sustainable palm oil.

## Pulp and paper

Nestlé bought 1.58 million tonnes of pulp and paper in 2015, much of it from paper mills, converters and packaging manufacturers in Europe, Brazil, China, India, Indonesia, Malaysia and the United States. It is used for food packaging, wrapping and transportation, although we also need paper for office stationery and marketing materials.

Well over 35% of the pulp and paper Nestlé uses involves recycled materials. Recycling in the pulp and paper industry is well established but food safety, quality and physical properties prevent us from using 100% recycled material. Recycled material is considered not to add to deforestation, so we do not map and assess the upstream recycled supply chain for the same concerns as we would for 'virgin' pulp and paper.

### Traceability

In partnership with TFT, we map and assess supply chains of paper and board suppliers across a number of high-priority countries. This is taking place in three phases:

- 2011–2015: United States, Europe, Brazil, China, Indonesia, Malaysia and India;
- 2013–2016: Thailand, Vietnam and Central and West Africa; and
- 2015–2017 (started): Chile, Japan and Mexico.

In 2015, TFT began to engage with Nestlé buyers and key suppliers in Phase 3 countries, supply chain mapping started and the first visits, based on supply chain information, took place. To date, 31 supplier field visits, follow-up visits and workshops have now been carried out across the 13 Wave 1–3 countries. In Canada, Chile and Russia in particular, we have carried out field visits to determine how companies in our supply chain are operating close to Intact Forest Landscapes and HCV areas, as well as respecting [indigenous people's rights](#). Each of these areas of investigation has its own particular issues and challenges. We will follow up these field visits and resulting recommendations in 2016.

In Thailand and South Africa, we have conducted field visits to understand the key role that smallholders play as providers of raw material in the pulp and paper supply chain, and how the pulp and paper companies are managing their out-grower schemes to meet Nestlé's RSG. There is still work to be done on this front and we shall look to learn from the work we are conducting through TFT's [Rurality](#) initiative on palm oil and explore the opportunities to extend this to pulp and paper.

### Progress in Europe

Our European Procurement Team helped create the RSG for pulp and paper, outlining our commitment to ensuring that the wood fibres we use for cartonboard and paper packaging are traceable and Responsibly Sourced. The Fibre Packaging Procurement Team also developed a self-assessment tool to help paper and board producers show supply chain transparency.

While the Fibre Packaging Procurement Team initially worked with paper and board suppliers, our partner TFT has focused on providing verification of fibre supply chains and forest practices. TFT's support also involves engaging with Nestlé buyers and suppliers, assessing the environmental and social performance

of processing sites and forests, formulating practical recommendations and monitoring their implementation.

Supplier scorecards are used for direct engagement with suppliers, and time-bound action plans by suppliers with lower scores have been received and are being monitored. Nestlé local markets have reacted positively to the approach, which emphasises sustainable forest management and environmental management in general rather than paper certification.

### Verification and certification

As well as focusing on deforestation and virgin fibre, our category-specific requirements for pulp and paper, developed in conjunction with TFT, require:

- Adherence with local and national regulations and laws;
- Protection of high-carbon-stock forests;
- Protection of HCV sites; and
- No development on peat, regardless of depth.

The RSG reinforces Nestlé's specific commitments on deforestation and forest stewardship, rural development and water stewardship.

Nestlé also used [Forest Stewardship Council \(FSC\)](#) accreditation to demonstrate compliance. The FSC is an international NGO dedicated to promoting responsible management of the world's forests and best meets Nestlé's criteria for credible certification.

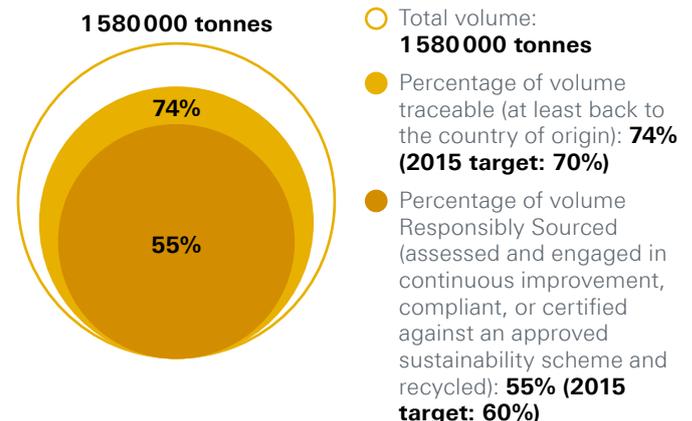
### Traceability in the supply chain

In addition to engaging with paper mills, converters and packaging manufacturers, 33 visits to our suppliers' sites were carried out in 2015.

We aim to source only pulp and paper that meet our 'no deforestation' requirements or, at the very least, from suppliers that are making measurable progress to meeting them. When companies in our supply chains do not comply and/or are not willing to engage or change, we will continue to exclude them from our supply chains, while monitoring their progress to determine whether or not to engage with them again in the future (see below).

 [Read our latest Progress Report on Responsible Sourcing of Pulp and Paper.](#)

#### Pulp and paper supply chain traceability results



### Engaging with suppliers to address deforestation

As a major buyer of a wide range of commodities, we are rarely in a position to focus our procurement resources on those suppliers who already meet our requirements. Our approach, therefore, is to assist existing suppliers to reach our standards.

We realise that, for some suppliers, this may take several years to achieve. Moreover, in our experience, certain suppliers are unwilling to engage with us and our partners. If we are unable to convince them to do so, then we reluctantly take the decision to gradually reduce the amount we purchase from them, instead focusing our procurement on those suppliers who are making progress.

Ultimately, we may stop sourcing from a supplier completely, but this is very much a last resort as, in doing so, we lose any ability to engage and influence them. Should this happen, we do still provide an opportunity for future discussion and for suppliers to re-enter our supply chain if they take steps to meet our requirements. There are numerous cases of companies that, following campaigns by NGOs, have made commitments to no deforestation and demonstrated genuine efforts to change. Nestlé is ready to support such companies.

## Soya

Three countries – the United States, Brazil and Argentina – account for approximately 80% of the world's soya bean production. We procured around 400 000 tonnes for selected business in 2015, much of which came from these locations.

The vast majority of the soya products we procure are used in pet food, so Nestlé *Purina* PetCare leads our Responsible Sourcing activities in this area, together with our delivery partner [Proforest](#).

### Verification and certification

To demonstrate that the soya we procure is sourced responsibly, our partner Proforest undertakes site assessments against our requirements. In 2015, site assessments were carried out in Argentina, Brazil and the United States. In the countries where site assessments have been completed, the focus has now moved to working with suppliers to develop and implement their action plans, and to provide training, for example on HCV areas.

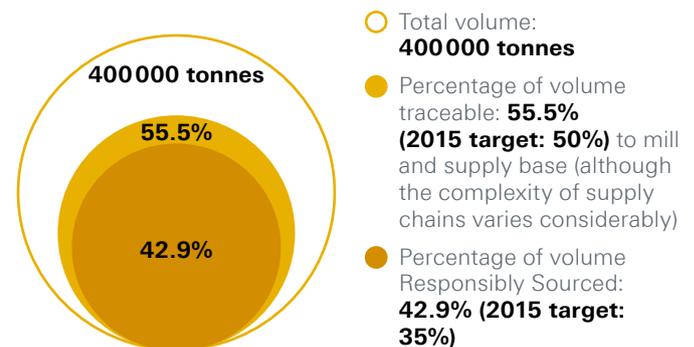
We accept certification against approved sustainability schemes and initiatives that are consistent with our requirements. For example, we consider the use of credits from the [Roundtable on Responsible Soy](#) (RTRS) – a multi-stakeholder initiative that aims to facilitate a global dialogue on economically viable, socially equitable and environmentally sound soya production – to be an interim solution until assessments can be deployed more widely.

We also accept traceable soya from smallholders and growers who can show they have an action plan and timeline in place for meeting our requirements. In 2016, we aim to pilot smallholder programmes in soya supply bases.

### Traceability in the supply chain

Initially focusing on our supply chains in Brazil and Argentina, owing to the volumes bought and the sustainability risks involved, we have begun to engage with our US soya suppliers as well, a process that continued throughout 2015.

#### Soya supply chain traceability results (not a global figure – volume is for select businesses only)



[Read our latest Progress Report on Responsible Sourcing of Soya.](#)

## Sugar

The majority of Nestlé's sugar procurement comes from Brazil, Mexico and India, although we also source supplies from a number of other countries, including Australia, Thailand, Indonesia and Malaysia. The sugar is used in many of our foods and beverages, such as confectionery and ice cream.

### Verification and certification

Our RSG and category-specific requirements – mainly for sugarcane but also for sugar beet – were developed with the support of Proforest, and reviewed by other NGOs.

They reinforce our commitments on issues in agricultural supply chains, such as water stewardship and deforestation. They also state that we will ensure that our sugar is sourced from mills where the operations, as well as the farms and plantations that supply them, comply with local laws and regulations at the very least. This includes:

- No use of forced or child labour;
- Workers' pay and conditions that meet at least legal or mandatory industry standards;
- Respecting freedom of association and collective bargaining, unless prevented by law;
- The provision of safe and healthy workplaces; and
- Mitigating the impacts on water by implementing water management plans, and additional measures in water-stressed areas.

Under certain circumstances, we accept [Bonsucro](#) certification as verification of compliance for the production of sugarcane. We also accept traceable sugar from smallholders and growers who have in place action plans for meeting our Responsible Sourcing requirements. In the past year, sugar beet origins have been included in our Responsible Sourcing programme for the first time.

### Traceability in the supply chain

While working with Proforest to map the supply chain back to at least the sugar mill, we have prioritised countries into three phases, starting with the countries where we buy the highest volumes of sugar and where the potential sustainability risks are greatest:

- 2012–2013: Brazil, Mexico and India;
- 2014: Australia, Thailand and the EU (sugarcane imports); and
- 2015: Indonesia, Malaysia, Central America and the United States.

Following assessments in locations in Phase 1 and 2 countries, in 2015 we began assessing locations in the Phase 3 countries.

Sugar supply chain traceability results:

- Percentage of volume traceable: 60.9% (2015 target: 60%) although traceability across sugarcane markets varies
- Percentage of volume Responsibly Sourced: 40.3% (2015 target: 40%)

Assessments have identified a range of challenges in the countries from which we source sugar. Together with suppliers and implementing partners such as Proforest, we are actively working to address them.

The most widespread and serious challenges involve safe and healthy working conditions for sugarcane labourers. Harvest periods see large numbers of temporary migrant workers living and working in sugarcane-growing areas, who then move on when the harvest is finished. The nature of this labour force accounts for many of the social risks within the supply chain. These include: high water consumption and limited access to sanitation and potable water; overcrowding and a lack of personal space and privacy; children not in education; and limited knowledge about safe working practices, such as the appropriate use, storage and disposal of chemicals.

Our [‘no deforestation’ commitment](#), and support for the [Consumer Goods Forum’s](#) ambition for zero net deforestation by 2020, are also relevant in the sugar supply chain.

We are developing and sharing tools to enable smallholder farmers to avoid deforestation and the loss of natural vegetation, and finding ways to help them minimise water consumption. The remediation activities are implemented in conjunction with a network of local delivery partners in specific countries, who can bring additional local knowledge to the process.

During the 2014/2015 harvest season, Proforest carried out 22 RSG assessments in Mexico and other countries. As a result of these and earlier assessments, we have instigated practical programmes to help farmers implement best-management practices, specifically in terms of addressing the root causes of poor working conditions, and particularly where there is migrant labour. In 2016, we aim to provide technical support and education to improve labour conditions in supply bases that rely on manual labour.

### Engaging with sugar suppliers

In Mexico, Nestlé has been engaging with Tier 1 supplier Beta San Miguel (BSM), the country’s second-largest sugar producer, on the Responsible Sourcing activities since 2012. BSM reacted enthusiastically and collaboratively throughout the whole process, providing traceability data, supporting initial exploratory site assessments, attending supplier workshops and committing to full site assessments at its six supplying mills across the country. BSM and Nestlé Mexico are continuing to work positively together to develop strategies to improve practices across their supply bases.

Implementing partners Proforest and ABC Mexico have also been assessing how best to approach the findings identified at the Mexican mills that were assessed in the last harvest season. We are supporting a training and capacity-building programme run by ABC Mexico at five mills, which focuses on working with the mills’ employees so that they have the ability to develop policies, implement changes and roll out training across a range of areas, including: identification and conservation of forests; identification and protection of HCV areas; eradication of child labour; safe working conditions; safe handling of agrochemicals; and safe and hygienic housing.

Our aims in 2016 include implementing a wide range of continuous improvements, including training on HCV areas, and extending the Mexico training programme.

 [Read our latest Progress Report on Responsible Sourcing of Sugar.](#)

## Shea

We purchase about 8000 tonnes of shea fat a year (this figure is the same as was reported in the 2014 report and has not been recalculated for 2015) and use it in a number of foods and beverages, including confectionery.

### Traceability in the supply chain

Due to a combination of limited resources, the small volumes we buy and the complexity of the supply chain, the mapping of our shea supply chains has not advanced enough for us to complete any supplier assessments. Therefore, we cannot claim any of the shea we procured to be [traceable](#) or [Responsibly Sourced](#) as yet.

Because of Nestlé’s business needs, we have taken the decision to remove shea from our list of key categories in 2016, when it will be replaced with cereals. This change will enable our key categories to reflect more accurately our purchasing volumes and activities.

## Hazelnuts

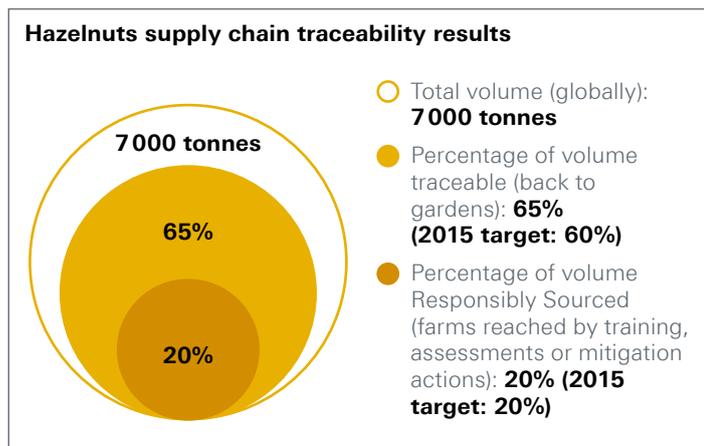
Turkey is the world's leading producer of hazelnuts, with around 75% of the total global production. Nestlé mainly purchases hazelnuts as a raw material from the eastern and western parts of the Black Sea region of Turkey; of the 7000 tonnes we sourced in 2015, more than 4000 tonnes came from these areas. We do not source directly from the farms but from a small number of suppliers, who obtain the hazelnuts through a chain of intermediaries.

As well as being used whole, hazelnuts can also be roasted, powdered and puréed for use in a range of foods and beverages, including confectionery, pastries and ice cream.

### Traceability in the supply chain

Working with the FLA we have identified and implemented a range of measures, such as training farmers on good agricultural practices and running summer school activities to remove children from labour in the orchards. Read more in [Human rights and compliance](#).

In 2015, we made further progress towards our ambition to source all our hazelnuts from transparent supply chains, subject to FLA's labour assessments, monitoring and remediation systems.



In 2015, we measured the positive impact of the interventions implemented since 2012, in close collaboration with our suppliers BALSU and Olam-Progida, to address child labour in the hazelnuts supply chain in Turkey. The FLA audits showed that there was a significant decrease in the number of children employed in the farms compared with 2014. Although the number of farms that were audited increased, the number of child labourers fell from 46 to 19, a significant decrease in one year. However, the number of young migrant workers significantly increased in Ordu (constituting 8.5% of the worker population) in 2015. This will need to be closely monitored in 2016, in particular as part of the new project that we will be implementing together with the FLA and our two suppliers.

The FLA was awarded a USD 4.87 million (CHF 4.82 million) grant from the US Department of Labor to reduce child labour in hazelnut production in Turkey, in partnership with Nestlé, BALSU and Olam-Progida. This 28-month-long project will further strengthen the activities that we have implemented together with our suppliers since 2012. In particular, it will design and pilot a comprehensive, sustainable programme that implements the US Department of Agriculture's Guidelines for Eliminating Child and Forced Labor in Agricultural Supply Chains. The project will be implemented in approximately 1000 hazelnut gardens in the regions of Ordu and Sakarya.

In 2015, in both the eastern and western regions, the ILO has organised school facilities in collaboration with the local municipality and other local foundations/CSOs in local schools or camp areas for migrant workers. Olam-Progida contributed to the project in Ordu and Adapazarı, especially in terms of logistical support. The project aims to provide migrant worker families with better conditions and facilities, such as electricity, toilets and access to city water in the camp areas. Additionally, workshops and activities are organised for their children to occupy them during the day, and volunteers and paid teachers organise educational activities. Olam-Progida organised gender equality sessions with children aged between 6 and 14 years old in 15 villages.

In the Düzce region, BALSU is implementing a three-year project in collaboration with the Young Life Foundation (*Genç Hayat Vakfı*), with the aim of combating child labour in the region. In 2015, two summer schools were running within the existing school infrastructure for the children of hazelnut workers. There were separate classes for different age ranges, with relevant educational activities.

The audits carried out by the FLA in 2015 found a range of other non-compliances. Inadequate standards of worker safety and hygiene were observed in most of the gardens, and although personal protective equipment (PPE) and first aid kits have been provided, workers are not fully aware of their importance. Moreover, most of the kits were kept at the farmers' houses, reducing their use.

We will continue to work on these issues in 2016. In 2015, our direct supplier Olam-Progida held training and awareness-raising sessions attended by 1077 processors, 'manav' (intermediaries) and growers and 716 workers in 15 different villages. In addition to PPE and medical kits, we provided drinking water, adequate sanitation and hand-washing facilities, and held summer schools and camps to contribute to the elimination of child labour. A toll-free phone number is provided to the farmers during the training and on different materials to enable them to report any complaints. There were some issues during 2015 with accessibility of the phone line, but we have action plans in place to overcome these. For example, our supplier BALSU is working on developing an answer machine available in different languages, making the line operational 24 hours a day, 7 days a week, and communicating its existence to the entire workforce.

External stakeholder meetings were held with the Directorate of Food and Agriculture, the Chamber of Agriculture, the ILO and the Turkish Employment Agency.

Our commitment to eradicating child labour from our supply chain requires garden owners in countries with production facilities to work towards full compliance against best ethical and sustainability practices as a means of eliminating child labour from the hazelnut industry. As with other categories of ingredients and materials, suppliers unable to meet our requirements but demonstrating measurable progress towards them receive help from Nestlé and our delivery partners to make the necessary changes.

 [Read our latest Progress Report on Responsible Sourcing of Hazelnuts.](#)

## Vanilla

Madagascar is one of the world's leading producers of vanilla, including the 700 tonnes of natural vanilla flavour Nestlé purchased in 2015 for our ice cream and confectionery products.

The vanilla spice comes mainly from the Sambava, Antalaha, Vohemar and Andap (SAVA) regions, where it is produced by small growers in rural, sometimes remote, villages, where social and educational infrastructures are underdeveloped.

Because there are no bees on Madagascar, each orchid flower has to be pollinated by hand. In addition, each flower lasts for only one day so has to be pollinated immediately, meaning crops must be checked daily. Combined with harvest and curing, this makes vanilla a labour-intensive and time-consuming crop to grow in Madagascar, making it best suited to small-scale farms.

Low income can also be a major factor in the vanilla supply chain. Most of Nestlé's vanilla supplies come from Madagascar, where about 80 000 farmers rely almost exclusively on vanilla for their income. Sometimes, farmers harvest their vanilla too early because they need cash to buy food, or because of a lack of access to resources and expertise.

### Tackling child labour in the vanilla supply chain

While child labour remains an issue in a number of our priority categories' supply chains, we have a particular objective to work towards eliminating it from our vanilla supply chain. In 2015, we continued to work towards this in various ways, including working with our supplier Givaudan, which has extended and improved access to educational facilities for farmers' children. Givaudan is now working to develop child labour remediation activities, and we are beginning work with a second supplier to help take more children out of farm labour.

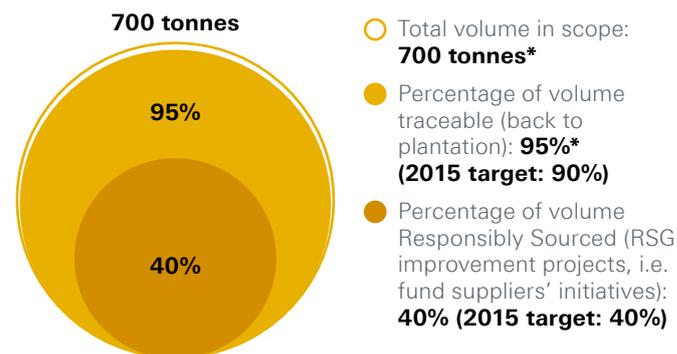
### Traceability in the supply chain

Given their importance to global supplies, vanilla farmers in Madagascar need to have both sustainable resources and the necessary education and skills to produce high-quality, high-value crops.

Although we don't have category-specific requirements for natural vanilla flavour, our RSG requirements cover compliance with local and national regulations and laws, labour practices, environmental impacts and the creation of shared value.

After carrying out an in-depth field investigation to evaluate the responsible sourcing risks and opportunities in our Malagasy vanilla supply chain, we created our Responsible Sourcing strategy for the category. It seeks to establish traceability through the complex supply chain of exporters, processors and collectors back to the gardens or plantations, and seeks to ensure Responsibly Sourced vanilla volume through the implementation of best practices.

#### Vanilla supply chain traceability results



\* Volume sourced for Ice Cream and Confectionery business.

To date, our Tier 1 supplier Givaudan has benefited 3337 schoolchildren and supported almost 2200 families through its sustainable development programme for 2013–2015. Givaudan and one of its suppliers, Henri Fraise Fils, have achieved this by:

- Improving vanilla bean quality through the provision of technical assistance to farmers;
- Promoting the System of Rice Intensification to increase the yield of locally grown, pesticide-free rice, strengthening food security;
- Supporting the development of alternative sources of revenue, such as beekeeping, fisheries, keeping small livestock and handicrafts;
- Improving access to water by building wells and irrigation dams; and
- Supporting the building, extension and repair of schools, health centres and access roads.

In 2015, Givaudan commenced remediation activities with the co-operatives established through the Community Vanilla Initiative and previously audited. This work will further develop the traceability, quality and availability of vanilla and build a sustainable partnership with the farmers.

In addition, Nestlé directed resources and funding to sponsor the building of two additional schools close to our sourcing locations, and support the development of infrastructure for a health centre. We will also make a video film of our vanilla sourcing activities to better educate both employees and consumers.

 [Read our latest Progress Report on Responsible Sourcing of Vanilla.](#)

## Meat, poultry and eggs

Nestlé buys a range of meat, poultry and egg products from a wide variety of farmers around the world through its trade channels.

We buy processed meat in the form of cooked and dehydrated products, oils and powders, as well as cooked, frozen and fresh meat for use as ingredients in a range of our foods and beverages.

Most of our meat and poultry are used for ready-made and frozen meals and for pet food, while eggs are mostly used for mayonnaise, pasta and pastry.

We have made major progress in 2015 towards using only eggs from cage-free hens. In December 2015, Nestlé USA announced that it will switch to using exclusively cage-free eggs in all of its US food products by 2020. We are also developing pilot projects with our suppliers and World Animal Protection to establish a roadmap for sourcing cage-free eggs in Europe and the rest of the world.

### Traceability in the supply chain

We began implementing our Responsible Sourcing requirements for meat, poultry, eggs and dairy in late 2013. Initial progress has been slow because much of the meat and poultry we buy is meat by-product used for pet food, and harder to trace. Our current assessment focus is on our food business.

In 2015, we purchased a total of 1.7 million tonnes of meat, poultry and eggs. Of this, 8.7% was traceable (target: 10%) and 3.34% was Responsibly Sourced (target: 5%).

We are working towards further improving [farm animal health and welfare](#) in our supply chain. We assess practices at farm level using the Nestlé Responsible Sourcing Assessment protocol, developed in conjunction with [World Animal Protection](#). Our collaboration with World Animal Protection made us the first major food company to form a partnership with an animal welfare NGO. World Animal Protection subsequently helped us develop our category-specific requirements, which cover breeding, feeding, housing, husbandry, health, transport and slaughtering.

Having started by assessing our [dairy](#) supply chains in Europe and North America, we began implementing our Responsible Sourcing requirements for meat, poultry and eggs in our supply chain in 2014. Findings included issues regarding the storage of chemicals, access to water, disbudding without local anaesthetic and analgesia, and labour policies. We will gradually implement them along our global supply chains, focusing on animal welfare at a farm level.

Together with World Animal Protection and our supply chain partners, we will continue to work to further improve farm animal welfare in our supply chain by ensuring compliance with our RSG requirements to ensure the highest possible levels of farm animal welfare along our supply chain.

 **Read our** latest [Progress Report on Responsible Sourcing of Meat, Poultry and Eggs](#).

## Fish and seafood

Our fish and seafood comes from a wide variety of sources. Like meat and poultry, the seafood we procure is used in ready-made and frozen meals, nutrition products and pet food.

### Verification and certification

Through our delivery partner agreements, we will increasingly be able to assess our supply chain against our category-specific requirements for fish and seafood, evaluate the sustainability of seafood sources (wild and farmed) and identify projects to enhance the environmental performance of our suppliers.

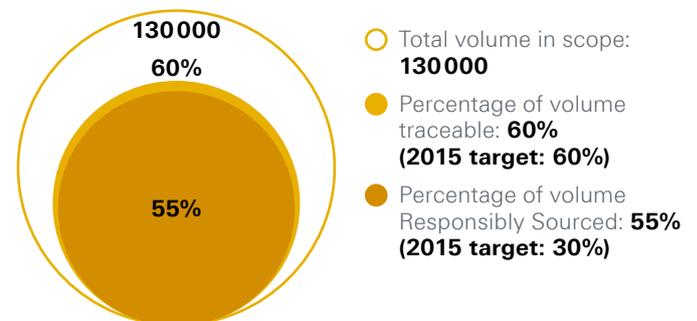
Our RSG establishes a framework for continuous improvement in our wild caught and farmed seafood supply chain, and its derived co-products, building towards Responsible Sourcing.

We also recognise seafood certified by independent NGOs such as the Marine Stewardship Council, the world's leading certification and eco-labelling programme for sustainable seafood.

### Traceability in the supply chain

By the end of 2015:

**Fish and seafood supply chain traceability results** (for whole fish; by-product is traced only by the number of fisheries)



## Tackling abuses in the seafood supply chain



Our mandatory Nestlé Supplier Code and RSG on Fish and Seafood require all of our suppliers to respect human rights and to comply with all applicable labour laws. To reinforce this, Nestlé is taking action to eliminate labour and human rights abuses in the seafood supply chain. In 2015, we commissioned [Verité](#), an NGO that works with companies to help understand and tackle labour issues, to investigate allegations of abuses in the Thai fishing industry. They collected information from fishing vessels, ports, mills and farms in Thailand on a range of issues, including trafficking, forced and underage labour, lack of grievance procedures, workplace conditions, and wages and benefits.

Following [Verité's investigation](#) we have launched an [action plan](#) on seafood sourced from Thailand, which takes into account their recommendations. Focused on 10 key activities, the plan contains a series of actions, designed to protect workers from abuses, improve working conditions and tackle unacceptable practices, including juvenile and teenage working. Those actions include establishing a migrant workforce emergency response team, setting up a grievance mechanism, providing training for captains and boat owners operating in the industry, raising awareness about minimum required labour standards, establishing better traceability of raw materials and enabling verification of labour standards in fishing vessels.

The action plan was published in November 2015 and immediately put into place. It will continue to be rolled out throughout 2016, with a dedicated manager being based in Thailand to oversee its implementation. Alongside the Thai Government, local seafood suppliers and international buyers, we also continue to participate in the multi-stakeholder ILO Working Group, which is seeking collaborative solutions to improve labour conditions in Thailand's complex seafood export industry.

Tracking a seafood supply chain in the open ocean is a difficult process. However, our ambition is to confirm that the fish and seafood we source come from healthy fisheries or from fisheries and farms engaged in improvement projects.

We are able to track about 60% of our whole fish purchases to the catch vessel. From there, our expert marine not-for-profit partner, Sustainable Fisheries Partnership, provides assessments on the source fisheries. Some 90% of the purchased seafood is by-product used for nutritious pet food products. We trace this product to as many source fisheries as have been identified – which is now up to 153 fisheries. Some 52% of these known fisheries are considered medium risk or better.

Another not-for-profit partner, Ocean Outcomes (formerly the Wild Salmon Center), promotes the conservation and sustainable use of marine ecosystems across the Pacific Rim, and has made good progress on its Salmon Fishery Improvement Projects (FIPs) in Russia. The group has launched two Salmon FIPs on the remote Kamchatka peninsula, in the Russian Far East. Now, more than 50% of Kamchatka wild salmon fisheries are Marine Stewardship Council certified, in assessment or in a FIP.

The Government agency in Russia that controls salmon hatcheries has expanded its marking programme at all Government-run hatcheries to cover 100% of fish released. A team of independent observers completed a season in the field in western Kamchatka and found no cases of illegal activity in the commercial fishery, although one case of river poaching was discovered and reported.

# Water

Water is critical to our business and our value chain, yet global withdrawals are predicted to exceed supply by 40% by 2030<sup>1</sup>. Respecting the right to safe, clean water and sanitation, we strive to use water efficiently and facilitate responsible water stewardship in catchments where we source water or ingredients, and where we have facilities.



**1.7 million m<sup>3</sup>**

Water saved across our operations by 362 water-saving projects.



**41.2%**

Overall reduction in direct water withdrawals per tonne of product since 2005.



**1st**

Nestlé's ranking for water on Oxfam's 2015 Behind the Brands scorecard.



**2015 Global Water Awards**

Nestlé won the Corporate Water Stewardship award for its zero water technology, enabling our Lagos de Moreno dairy factory in Mexico to operate without using local groundwater.



<sup>1</sup> Source: [2030 Water Resources Group](#).

## In this chapter

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## Our role in water stewardship

Nestlé recognises the human right to water and sanitation, and we ensure all our people respect it. We understand that water is critical to the sustainability of our value chain: our employees, our suppliers and our customers need access to safe drinking water and adequate sanitation. We are committed to developing our business in a way that enables effective water stewardship in catchments<sup>2</sup> where we source water and have facilities. Guided by the Nestlé Commitment on Water Stewardship, we ensure all our operations use water efficiently and do not compromise the right to water of local communities.

### The year in brief

#### Challenges

**Access to clean, safe drinking water and sanitation** is a basic human right, yet 663 million people do not have access to improved drinking water sources and 2.4 billion lack adequate sanitation\*.

Improvements to a water catchment often need the **collaboration of many stakeholders** and local water users.

Our manufacturing facilities need a reliable supply of water but as a third of them are situated in **areas of water scarcity**, we must continue to make our water use more sustainable.

Water is a shared resource that must be carefully used and preserved by all stakeholders, so **engaging with local communities** is essential.

#### What we are doing

We finalised our new **Nestlé Guidelines Respecting the Human Right to Water and Sanitation** in December 2015, and are rolling out the **WBCSD WASH Pledge** for safe water, sanitation and hygiene in the workplace to all Nestlé premises.

We have developed a **global Water Stewardship Master Plan** at a corporate level, and started to formulate **local plans** in Pakistan, California, Mexico, South Africa and India.

To raise awareness, identify key issues and risks, and devise action plans, we conduct **Water Resource Reviews** at many of our factory sites, especially in areas of water stress.

We participate in **water education** initiatives such as Project WET (Water Education for Teachers) to help our employees, communities, suppliers and consumers make better-informed decisions regarding effective water stewardship.

#### Achievements

##### Nearly 90%

Share of manufacturing facilities completing the WBCSD self-assessment, which met the Pledge level.

##### Leadership score

Nestlé received a 'leadership' score of A- by the CDP water programme for our best practices and actions to manage water and mitigate water risks.

##### 15

Number of new Water Resource Reviews carried out at our sites, taking the cumulative total to 148.

##### 20

Number of countries in which our partnership with the Project WET Foundation is currently active.

\* [Progress on sanitation and drinking water 2015](#): Joint Monitoring Programme, 2015.

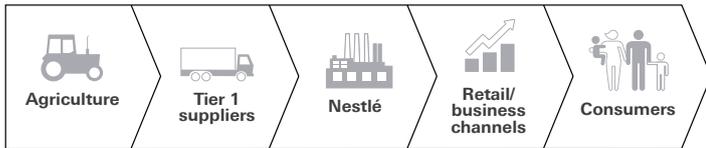
<sup>2</sup> A catchment (or watershed) is the area of land from which all surface run-off flows through a sequence of streams, rivers, aquifers and lakes into the sea or another outlet at a single river mouth, estuary or delta. Surface water is the most visible, but groundwater represents the biggest part of water in most catchments in terms of quantity.

## Material issues

Nestlé uses a formal [materiality process](#) to identify the most important issues for our stakeholders and our business. The results are communicated in a [materiality matrix](#).

Our material issues are also considered and mapped with regard to their degree of importance in different parts of the Nestlé value chain. In the value chain, 'Agriculture' includes smallholder farmers with whom we do not have direct relationships, and 'Tier 1 suppliers' refers to those suppliers in direct commercial relationships with Nestlé.

### The Nestlé value chain



Each material issue is made up of a number of sub-issues, which are highlighted during the research process. They are used as a lens to help define the scope of analysis. In this section, we have provided a synthesis of the findings related to water.

**Water stewardship** was rated as being of concern to our stakeholders and of strategic importance to our business. It includes sub-issues associated with water: quality, water security, water use, and hygiene and health. Our success in water stewardship will have a significant impact on ensuring the secure supply of agricultural raw materials and our licence to operate, particularly for the Nestlé Waters business. The efficient use of water enhances the efficiency of our agricultural supply chain and reduces costs at our operating sites.

Our stakeholders expect us to respond to the challenge of water scarcity and collaborate on the shared management of water resources. Access to water, sanitation and hygiene is an action area for our stakeholders, and critical to both the Nestlé supply chain and in ensuring the efficacy of our nutrition products.

## Our commitments

Nestlé's commitments are a response to the material issues of our business and are reviewed by external stakeholders. Our five water stewardship commitments and their objectives help us reduce risks and improve our performance. In practical terms, they guide our teams across the business when agreeing roles and responsibilities, action plans, deliverables and deadlines.

In 2015, our five commitments on water remained as follows:

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

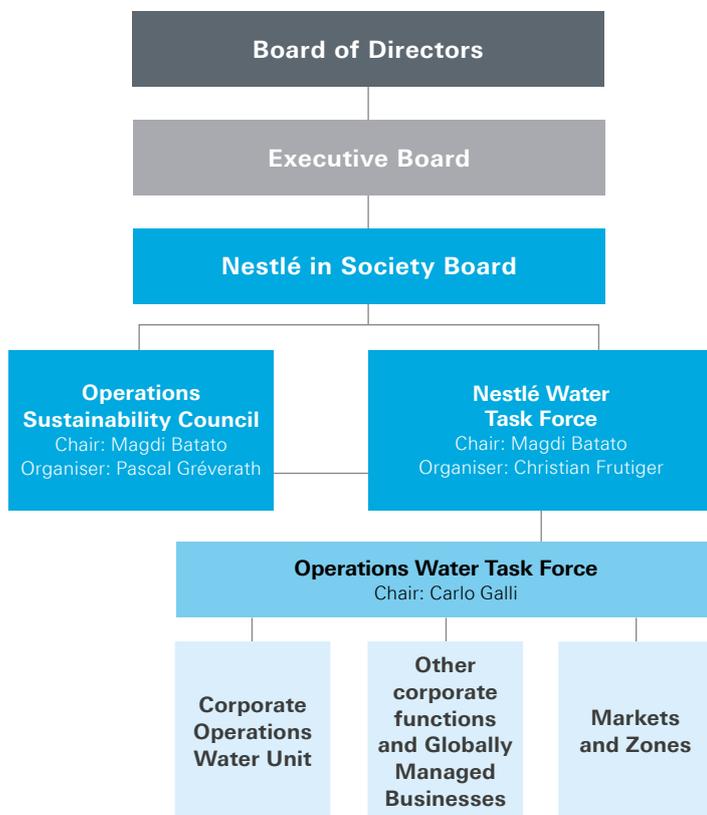
Our progress against the commitment objectives is indicated throughout the chapter using the following icons:

- Achieved
- ◐ In progress
- ◑ Not yet achieved
- ⊕ New objective

MATERIALITY ISSUE	VALUE CHAIN				
	KEY: ◐ Moderate ● Significant ● Major 				
<b>Water stewardship</b> Implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources, including enabling access to water, sanitation and hygiene. <b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Hygiene and health:</b> enabling access to clean and safe water for drinking and hygiene and adequate sanitation services.</li> <li>• <b>Water quality:</b> preventing the release of harmful substances into the water by treating discharged water appropriately.</li> <li>• <b>Water security:</b> safeguarding sustainable access to adequate quantities of and acceptable quality water for sustaining livelihoods, human well-being, and for ensuring protection against water-borne pollution.</li> <li>• <b>Water use:</b> reducing the waste, misuse or overuse of water while optimising opportunities for water reuse or repurposing through efficient consumption practices.</li> </ul>	●	●	●	●	●

As a member of the [United Nations Global Compact](#) (UNGC) and the [UNGC's CEO Water Mandate](#), we have committed to respect the human right to water and sanitation. In addition to our own public commitments, in 2013, Nestlé signed the World Business Council for Sustainable Development (WBCSD) [WASH Pledge](#), which commits companies to providing access to safe water, sanitation and hygiene at all workplace premises in our direct control within three years. By signing the Pledge, we reaffirmed our willingness to meet WASH requirements – and hope it will encourage others, along the entire value chain, to do the same. [Read more](#) about the Pledge.

## Governance and management systems



### Internal governance structure for water stewardship

Water is one of three priority areas for our business and we embed responsibility for water stewardship across our business units.

An Operations Water Task Force (OWTF) meets monthly to monitor the implementation of Nestlé's commitments. It reviews progress by analysing performance data and identifying corrective actions across the organisation. The OWTF also monitors the need for potential changes, updates or additions to our commitments, by reviewing external inputs such as scientific developments and stakeholder feedback.

In 2014, our former Executive Vice-President of Operations, José Lopez, conducted a review of our decision-making process for strategic water issues. Working with a cross-functional team including senior employees of Nestlé Waters, he recommended that the Nestlé Water Task Force be reconvened, and report to the Nestlé in Society Board and the Executive Board. The Water

Task Force has been monitoring water-related risks, challenges and opportunities on a monthly basis – including those raised by the OWTF; stakeholder convenings; materiality analysis; GlobeScan reputation research; consultancies and investors; and social media campaigns – and updates the Operations Sustainability Council on water-related activities. Our activity aims at ensuring good relations with local stakeholders on water-related topics and developing community outreach programmes.

The Operations Sustainability Council and the Nestlé Water Task Force are chaired by our Executive VP of Operations Magdi Batato, who replaced José Lopez on his retirement in September 2015. Both these bodies inform the Nestlé in Society Board (chaired by the CEO), which has oversight of all CSV activities, including water, and includes Mr Batato. The NiS Board and Executive Board are both chaired by the CEO and, through these bodies, the Board of Directors are regularly briefed on water issues.

Mr Batato, along with heads of other corporate functions and markets, including Nestlé Waters, is responsible for ensuring we meet our commitments.

In 2015, we strengthened our governance structure further by creating a standalone Corporate Operations Water Unit. This is intended to give water higher visibility at a functional level, drive synergies across our different businesses and bring our Water Stewardship Master Plan to life, so that our actions mitigate any operational or reputational impacts (see '[Understanding and managing our impacts](#)').

## Our policies and standards

Our policies and standards ensure the respect of the human right to water and sanitation, as adopted by the UN General Assembly and the UN Human Rights Council. They are aligned to the external strategic framework of the UN Global Compact's CEO Water Mandate, the WBCSD WASH Pledge and the UN Guiding Principles on Business and Human Rights.

The [Nestlé Commitment on Water Stewardship](#) is made available to the public through our website; in it, we acknowledge our responsibilities as a major water user and our approach to water stewardship. The Commitment, launched in 2013, forms an appendix to [the Nestlé Policy on Environmental Sustainability](#), and complements the following internal commitments, policies and standards:

- [The Nestlé Corporate Business Principles](#);
- [The Nestlé Supplier Code](#);
- [Nestlé Responsible Sourcing Guideline](#);
- Nestlé Water Guidelines for Suppliers of Agricultural Raw Materials;
- [Nestlé Commitment on Natural Capital](#); and
- [Nestlé Commitment on Rural Development](#).

In 2015, we finalised the Nestlé Guidelines on Respecting the Human Right to Water and Sanitation. Based on guidance from the CEO Water Mandate, this new document provides consistent directives on how Nestlé markets and factories can respect and support the human right to water and sanitation across the supply chain.

## Water as a human right

In 2010, Nestlé formally reconfirmed its public recognition of the human right to water and sanitation, as adopted by the United Nations General Assembly and the United Nations Human Rights Council.

We respect the right to water and sanitation as a fundamental human right.

## Understanding and managing our impacts

Water is a precious resource and its careful stewardship is a key pillar of our business. Our food and beverage facilities, and particularly our water bottling plants, naturally attract attention for the water they withdraw. And when these plants are situated in locations experiencing water stress or drought, that stakeholder attention only heightens.

### Water Stewardship Master Plan

In 2014, Nestlé introduced a global Water Stewardship Master Plan at a corporate level to shape the way we seek to save water and monitor the impact we have on local sources, by ensuring our facilities are as water efficient and sustainable as they can be. For example, our LEED-certified Cabazon factory is rated Silver and uses equipment and procedures that minimise water loss during production, including water recovery for factory use.

We also estimate water use throughout the Nestlé value chain, to help us improve the water efficiency of our products.

### Agriculture

The global agricultural sector remains the largest user of the world's fresh water. Our business purchases large quantities of raw materials and ingredients, all of which require water to grow. The water consumed by the crops we purchase amounts to 63.5 billion m<sup>3</sup>. Around 6.7% of this was used for artificially irrigating crops.

#### Water consumption by source of crops purchased by Nestlé (billion m<sup>3</sup>)

	2010	2013	2014*
Rainwater	42	61	59.3
Irrigation water	3	4	4.2
<b>Total</b>	<b>45</b>	<b>65</b>	<b>63.5</b>

\* 2014 procurement data is the latest available at the time of publication.

### Reviewing water stress

Nestlé uses water directly at more than 485 factories, which withdrew 140 million m<sup>3</sup> in 2015.

We employ the Nestlé Combined Water Stress Index to assess current and future physical water availability risks at a watershed or river catchment level for every operating site. The index takes an average of results from three leading water-stress indicators ([WWF's Water Risk Filter](#), [WRI's Aqueduct](#) and Pfister's *Water Stress Index*) and gives a risk score (low, medium or high). This helps us determine the level of current and future risk associated with reduced water quantity or quality, and considers possible competition with other local water users.

At a local level, monitoring is conducted by Water Resources Champions or Factory Environmental Sustainability Managers at each site. Furthermore, external hydro-geological consulting firms carry out inspections when and where required, and provide guidance on improving standards to seize opportunities related to water availability.

Taking changes in the geography of our operations into account and updates in the methodology, in 2015 we saw a decrease of 2.1% in the number of our factories located in regions with some degree of water stress (medium or high risk) versus 2014 figures. In total, 178 factories (36.7%) are situated in regions with water stress, of which 16.3% are located in the most sensitive regions. We use this information to inform our investment processes.

### Water and protected areas

Working with the UNEP World Conservation Monitoring Centre (UNEP-WCMC), we have analysed which of our factories have either a dependency, or a potential impact, on protected areas categorised as Important Water Areas (IWAs). Our findings resulted in a definitive list of 13 plants located in IWAs. We continue to keep specific focus on operational performance at these locations, and strengthen engagement with other stakeholders.

### Training our employees

Water is of growing concern for Nestlé, as well as society in general, and our employees will be increasingly required to have an understanding of the issues surrounding its availability, use and management.

Our training programme '[We Make Nestlé Caring](#)' is made available to all Nestlé employees through our intranet. It explains why water features in our *Corporate Business Principles*, how water is a critical factor for human prosperity and how water availability can affect our value chain. One module specifically covers water stewardship in sustainable agriculture, and good principles for managing water at a farm level. This module is primarily targeted at Nestlé employees in our agri-services, but we would like to see the key messages of water stewardship eventually cascaded to farmers throughout all markets. This training material will enable our markets to tailor the content to their local context and organise webinars for training their employees. We are piloting these enhanced training materials with selected markets before rolling them out globally. Having confirmed markets for the trial, including Central America, Pakistan and India, and our corporate headquarters in Vevey, Switzerland, we will begin the trial in early 2016.

Our other [environmental sustainability training programmes](#), such as our Environmental Sustainability at Nestlé e-learning course and our Environmental Sustainability Leadership workshop, also contain components that address water-related issues.



## Water stewardship programme in California

The summer of 2015 saw the US state of California experience a fourth consecutive year of extreme drought. This prompted the Governor of California to order mandatory water use reductions for the first time in the state's history, while the US federal government announced a grant of USD 110 million (CHF 108.9 million) to provide relief for farmers and rural communities with depleted supplies of drinking water.

Many people have expressed concern about the impact of our operations in California, and posed questions about our bottled water plants in [Cabazon](#) and [Sacramento](#) in particular, even though the water we use is less than 0.008% of the total withdrawn across the state<sup>3</sup>. We understand these concerns and are intensifying our efforts to reduce the amount of water we use, to use it as efficiently as possible – not just in California but across all of our manufacturing operations – and to share our progress with interested parties.

Together, the five elements of our comprehensive water stewardship programme in California are expected to save more than half a million cubic metres of water a year, as shown below.

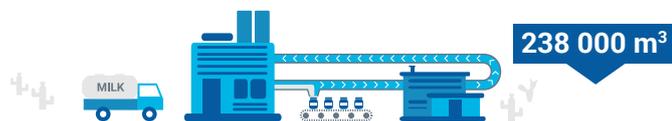
### 1. Zero water factory



Technology that we have already deployed successfully elsewhere in the world to help address the challenges of water scarcity will improve our water use efficiency, relieving pressure on California's water resources."

**José Lopez, former Executive Vice-President of Operations, Nestlé**

We are transforming our dairy factory in Modesto into a [zero water factory](#), which will be able to extract water from milk and recycle it, reducing the need for groundwater or freshwater supplies. By 2016, this USD 7 million (CHF 6.93 million) investment should save more than **238 000 m<sup>3</sup>** of water a year, equivalent to 71% of absolute withdrawals in 2014.



### 2. Reducing water use

At our ice cream factories in Bakersfield and Tulare, we're improving our cleaning processes to [reduce water use in our operations](#), and introducing advanced technology to treat water for use in our refrigeration systems. This will save more than **98 000 m<sup>3</sup>** of water a year.



### 3. Recycling water

[Treating and recycling wastewater](#) for use in cleaning, rinsing and cooling processes in our factories help save drinkable water. By upgrading cooling tower technology in our water bottling factories in California, so that they use treated instead of drinkable water, we expect to save **208 000 m<sup>3</sup>** a year.



### 4. Implementing robust standards

The Alliance for Water Stewardship (AWS) [International Water Stewardship Standard](#) sets strict criteria for managing water in an environmentally, socially and economically beneficial way. We will implement the AWS Standard in all nine of our factories in California within two years.



### 5. Working in partnership

We work with governments, UN bodies and other stakeholders to help address local and global water issues through [public policy debate and collective action](#):

- We are a founding signatory of the UNGC's [CEO Water Mandate](#), which helps companies develop, implement and disclose their water sustainability policies and practices;
- We are also starting work with the [World Resources Institute](#) (WRI) to help us better understand the water risks we face in California and identify water stewardship opportunities; and
- To develop a way to scale corporate water stewardship in California, we are also members of the California Water Action Collaborative (CWAC). This group aims to create a platform for collaboration that helps improve water security in California for people, businesses, agriculture and nature.



Together, these efforts will add up to a total saving of more than **545 000 m<sup>3</sup>**.

<sup>3</sup> This calculation is based on [USGS data](#) for California water withdrawals in 2010 (the latest available data).

## Stakeholder dialogue

We are strongly committed to responsible water management and fully share concerns about water availability, especially during times of scarcity and drought. Our priorities remain not to impact negatively on the water table through our activities and to understand the supply and demand in any particular location so as not to deny the human right to water and sanitation. These criteria are paramount; beyond that, we aim to be as transparent as possible to ensure stakeholders understand our activities and address their concerns.

Despite the operational and reputational risks such environmental challenges pose to our business, we welcome interest in our activities and dialogue with the public and other stakeholders, as this will lead to stronger collective action. We have published position statements, press releases and articles on a number of water-related issues, and our corporate website contains an [Ask Nestlé](#) section where we answer

some of our most frequently asked questions about topics like [the California drought](#) (see [page 142](#)). We also bring water stakeholders throughout the state together to engage in constructive community dialogue about local and regional water issues.

## Sharing our progress

We regularly report on our water performance, believing that similar disclosure by all water users assists global decision-making, and participate in a number of third-party reporting schemes, many of which publish their results online.

Scheme	2015 results
UNGC CEO Water Mandate	We publish a <a href="#">Communication on Progress</a> as part of the CEO Water Mandate every year, which is submitted to the UNGC for review.
CDP water programme	In 2015, we participated in the CDP water programme and in October received a 'Leadership' score of A- for our best practices and actions to manage water and mitigate water risks. Reporting on water incidents can be found in <a href="#">our response</a> to the CDP water programme (see pages 95–97).
Dow Jones Sustainability Indices	Nestlé retained its industry-leading position in the 'environmental dimension' of the 2015 Dow Jones Sustainability Index Series with a score of 99 out of 100, and scored 100 out of 100 in the water section.
Oxfam <i>Behind the Brands</i>	In the Oxfam <i>Behind the Brands</i> 2015 scorecard, Nestlé was given the highest ranking for water. The scorecard assesses rights and access to water resources and the sustainable use of water.

# Water in our operations

Our factories must have water to operate – to wash ingredients for cooking, for cooling and cleaning equipment, and to provide sanitation for our employees – so providing a reliable supply is an important priority. Today, we withdraw 40% less water per tonne of product at our factories than we did 10 years ago. We are proud of this achievement, but with 36.7% of our manufacturing facilities situated in water-stressed regions, we must continue to improve water efficiency to grow our business. Our new ‘zero water’ withdrawal technology clearly demonstrates how keen we are to embrace innovation to reduce water withdrawals, and we are working to implement this best practice model of water efficiency in several locations.

**W** **Work to achieve water efficiency and sustainability across our operations**

**A** Advocate for effective water policies and stewardship

**T** Treat the water we discharge effectively

**E** Engage with suppliers, especially those in agriculture

**R** Raise awareness on water conservation, and improve access to water and sanitation across our value chain

## Achieving water efficiency and sustainability

### Our commitment



**Work to achieve water efficiency and sustainability across our operations**

We have improved our water efficiency and sustainability performance across our operations in recent years, but we cannot become complacent and it remains a significant focus area for us.

To coordinate our efforts, we have developed a global Water Stewardship Master Plan at a corporate level, and started to formulate local masterplans in key locations such as Pakistan, California, Mexico, South Africa and India. They contain market-specific responsibilities, targets and deadlines, and are based on our [water commitments](#) and our Water Stewardship Ladder (see opposite).

We invest in high-profile ‘lighthouse projects’ to demonstrate best-in-class performance and stimulate innovation across our business. Such projects must have the potential for significant reductions in water withdrawals for a product category or operational process to qualify for funding and, at facilities where [zero water withdrawals](#) may be possible, they also help us explore and develop new technological solutions. Nestlé’s [Operations Water Task Force](#) assesses each project and promotes opportunities for communicating best practice and replicating similar improvements across our operations and our value chain.

## The Water Stewardship Ladder



The Water Stewardship Ladder is our three-step roadmap towards sustainability:

- As with [Creating Shared Value](#), the base for our approach is **compliance**, such as having permits for our wells, not exceeding the extraction volumes authorised in our licences and respecting the limits for wastewater discharge;
- Progress towards **excellence** comes from continuous improvements and increased efficiency, to eventually reach a best-in-class, or ‘lighthouse’, level; and
- Where internal efforts are not enough to address wider challenges, we engage with local stakeholders, enabling **collective action** to secure the long-term sustainability of water resources. This final stage is the most challenging, as it requires a change from an internally focused mindset to an external-facing approach to managing water.

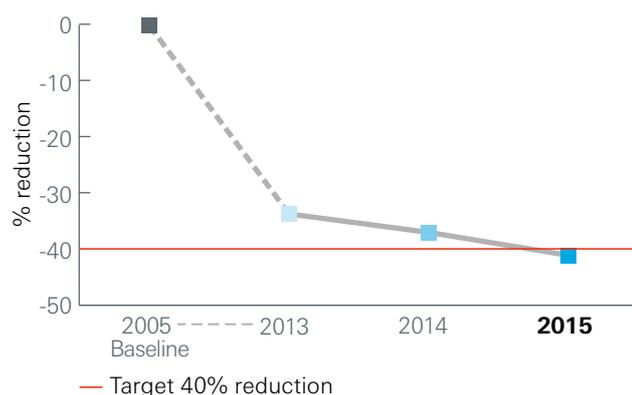
Based on the Water Stewardship Ladder, Nestlé Waters reinforced its Water Stewardship strategy. It is based on new, site-specific risk assessment tools with a focus on physical, regulatory and reputational risks. These risk assessments were conducted for all Nestlé Waters sites in 2015. They will give rise to more comprehensive action plans that include both internal and external responses. Through collective action, we seek to mobilise local water stakeholders to address shared water challenges together, to ensure the long-term sustainability of the watersheds in which we operate.

## Reducing water withdrawals

### Our objectives

- **By 2015** – Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 40% versus 2005.

### Reduction of direct water withdrawals per tonne of product versus 2005 (%)



- ⊕ **By 2020** – Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 35% versus 2010.

In 2015, we withdrew 2.57 m<sup>3</sup> of water per tonne of product, and reduced direct water withdrawals per tonne of product in every product category, with an overall reduction of 6.2%. This equates to a 41.2% reduction since 2005, meaning that we met our 2015 objective to reduce direct water withdrawals per tonne of product in every product category and achieve an overall reduction of 40% since 2005.

Having met this objective, we have set ourselves a new 10-year target for 2020, with a 2010 baseline. As we make our processes more efficient, it becomes increasingly more challenging to improve at the same rate, so our new target is for a 35% reduction rather than the previous 40%. To date, we have reduced water withdrawals per tonne of product by 22% since 2010.

We also recycled or reused 7.7 million m<sup>3</sup> of water in our operations in 2015 – a 2% annual reduction – and approximately 5.5% of our total water withdrawals.

Nestlé continues to implement programmes to reduce water withdrawals, reuse water and use alternative water sources such as rainwater harvesting. We are also using 'Water Target Setting' methodology to identify opportunities to further reduce our water withdrawal in our factories.

In 2015, investments totalling CHF 25.8 million were approved to spend on water-saving programmes and we are currently conducting 362 water-saving projects at our factories; these are projected to save around 1.7 million m<sup>3</sup> of water a year.

### Water withdrawn at our factories by source

Water withdrawn (million m <sup>3</sup> )	2014	2015
Surface water	15.0	12.3
Ground water	77.0	75.5
Municipal water	55.0	52.5
Rainwater	0.035	0.034
<b>Total</b>	<b>147</b>	<b>140</b>

### Direct water withdrawals by product category

Water withdrawn (m <sup>3</sup> /per tonne)	2005	2015	Variation
Powdered and liquid beverages	22.91	7.20	-68.6%
Water*	1.96	1.53	-22.1%
Milk products and ice cream	8.33	4.08	-51.0%
Nutrition and healthcare	19.34	10.11	-47.7%
Prepared dishes and cooking aids	7.12	3.96	-44.4%
Confectionery	9.22	4.04	-56.2%
Petcare	1.44	1.10	-23.9%
<b>Overall withdrawal rate</b>	<b>4.37</b>	<b>2.57</b>	<b>-41.2%</b>

\* Beyond the litre of water that goes into the bottle, Nestlé Waters has made significant achievements in reducing the amount of additional water required to produce one litre of product at the factory. In 2005, this additional water represented 0.96 litres, which was reduced by 45% to reach 0.53 litres in 2015.

### Total water recycled and reused by our factories

Total direct water use (million m <sup>3</sup> )	2014	2015
Water withdrawal	147.0	140.0
Water discharge	87.0	82
Water recycled or reused	7.5	7.7

## A zero water first in Mexico

Exemplifying our commitment to improving our impact on natural water resources, we have introduced 'zero water' technology at our factory at the heart of Lagos de Moreno in the Mexican state of Jalisco. This system – a world first and unique to Nestlé – enables it to operate without using any local groundwater.

Over the last 60 years, water availability per person has drastically declined in Mexico, largely due to population growth and overextraction. Through our new approach, our powdered milk factory now uses the water vapour generated from evaporating cow's milk, instead of withdrawing groundwater. This steam is condensed, treated and recycled for use as potable process water, and then treated again for cooling and cleaning – even for watering plants in the factory grounds.

The transformation of the factory was achieved through two phases, spanning 2011–2014:

- Converting the 'cow water' into potable water required close collaboration between our Product Technology Centre in Konolfingen, Switzerland, our corporate Engineering team, local factory managers and engineers, and the supplier of the technology. Together, we benchmarked other companies using this type of technology, piloted it at our plant and analysed the results to ensure its successful implementation.
- The Waste Water Treatment Plant was then upgraded, allowing the filtering of wastewater for use in areas requiring low water quality, such as cooling towers.

This initiative is expected to save the factory around 600000 m<sup>3</sup> of water a year, equivalent to the average consumption of 4500 local residents. It also earned Nestlé the Corporate Water Stewardship award at the 2015 Global Water Awards, as voted for by attendees at the [Global Water Summit in Athens](#) and online members of the [2030 Water Resources Group](#).

Given its initial success, work is under way to replicate our zero water process at other dairy factories in California, South Africa, India, Pakistan and China.

[Watch a video](#) about our zero water factory.

## Zero water strategy in South Africa



South Africa is a priority area for our engagement with local stakeholders to address water issues. The focus is a business imperative, as our production activities have been impacted severely over time by water and energy shortages.

Over and above the operational changes we have made to reduce our factories' water consumption, we are active at different levels across the country:

- We engage with government authorities through the Strategic Water Partners Network public-private partnership, chairing the working group on water use efficiency. This group drove the successful development and implementation of the 'No Drop' programme, which helps municipalities improve their management of non-revenue water;
- We supported the Harrismith community with continued supplies of potable water, loaning the municipality two pumps to help deliver water;
- We actively promote smarter water monitoring and management techniques in our local milk supply chain to help protect the local water catchment from over-use; and
- We are implementing our zero water withdrawal initiative at our Mossel Bay dairy factory in 2016, through which we plan to avoid using municipal water for production processes.

We worked with a leading NGO, Conservation South Africa, to produce *The Sustainable Dairy Handbook*, helping dairy farmers implement best practice in sustainable agriculture and resource conservation.

## Water Resource Reviews

### Our objective

- **By 2016** – Carry out 45 new Water Resource Reviews in selected manufacturing facilities and all greenfield sites.

To raise awareness at an operational level, identify key issues and risks, and devise action plans for more sustainable water use, Nestlé manages a programme of Water Resource Reviews (WRRs) at a large number of factory sites. Many of them are located in areas of water stress.

As well as analysing hydrological data, the reviews assess the impacts of a manufacturing facility within a local water catchment, including water availability (which also covers aspects related to the human right to water and sanitation – see [page 147](#)); water quality; regulatory compliance; site protection; and stakeholder relations. After each review, corrective actions are proposed and carried out as needed.

In 2015, we undertook 15 new WRRs in a number of countries, including India, Bangladesh, the United States, Mexico and Iran. This brings the total number of factories reviewed worldwide to 148 since we started the process in 2006 (the figure for 2014 has been restated as 19 WRRs). As well as the 15 new sites, follow-up WRRs were conducted

in a further 9, taking the total for the period 2014–2015 to 43<sup>4</sup>. Nestlé Waters has also completed WRRs at 93% of its facilities, and continues to work on improving its overall water use ratio (the amount of water required to produce one litre of bottled water).

The main opportunity we identified, common to most sites, was the need to expand our focus beyond the factory gate and engage with local stakeholders to address water scarcity issues and pollution risks. Other issues included the need to improve our [WASH Pledge](#) programme, internal water management practices and our role in the agricultural supply chain.

The potential impact of our operations on the communities' ability to access water is increasingly being assessed as part of our WRRs. The WRR process will be updated in 2016 to embed the human right to water and sanitation principles outlined in our recently finalised [Guidelines](#).

## Assessing investment opportunities

We monitor the actual cost of the water we purchase, as well as off-site treated water, at all our facilities. However, we believe global water prices do not adequately represent the environmental and social impacts that are a result of water supply (read our Chairman's views on water pricing [here](#)).

Our Corporate Engineering department assesses internal requests to invest in new technology or equipment that will improve water use efficiency. We place a notional cost on water ranging from CHF 1 to CHF 5 per m<sup>3</sup>, depending on a factory's physical risk score in the [Nestlé Combined Water Stress Index](#). It takes into account water availability and allows us to address the following challenges:

- Traditional payback may be long term or non-existent due to the low cost of water; and
- Water savings deliver different benefits in different locations.

This approach enables us to convert environmental and social benefits into a notional payback, helping us prioritise resource allocation. For example, our project to recycle water extracted from the processing of milk at our Moga factory in India has no financial payback, as the cost of well water in that location is almost nothing. However, when based on notional cost, the project will see payback in less than three years, as shown below.

$$\text{Notional payback} = \frac{\text{Investment (CHF 2.15 million)}}{\text{Base notional cost (1 CHF/m}^3\text{) x CWSI (4.3) x water savings (187 600 m}^3\text{)}} = 2.67 \text{ years}$$

We are continuing to extend our acceptable Return On Investment period for equipment funding that delivers water savings, recognising that such activities often require longer-term investment. Factors such as the size of the water saving, the factory's financial performance and previous projects also influence the decision-making process. When all these criteria are taken into account, it is possible that projects with long or even no notional payback may still be approved, while those with short payback times could be rejected.

 [Read about water use and water pricing in British Columbia.](#)

## Due diligence on the human right to water and sanitation

### Our objectives

- **By 2015** – Establish and implement detailed guidelines on human rights to water and sanitation due diligence.
- ⊕ **By 2020** – Implement detailed guidelines on human rights to water and sanitation due diligence in all Nestlé markets.

Based on guidance from the CEO Water Mandate, we developed our internal guidelines, which provide consistent directives on how markets and factories can respect and support the human right to water and sanitation across the supply chain.

The guidelines will be rolled out and implemented systematically across our global operations in the coming years. This builds on existing assessment mechanisms such as our [Human Rights Impact Assessments](#), [Water Resource Reviews](#), [Tier 1 supplier audits and farm assessments](#), and the [Nestlé Waters Community Relations](#) programme. We will report on our progress in our next report.

## Water-saving projects at high-priority sites

### Our objective

- **By 2016** – Implement water savings projects in 100% of high-priority manufacturing facilities.

Every year we update our list of high-priority manufacturing facilities (HPMF): those sites that are located in areas of severe water stress or that represent a significant portion of our annual water withdrawals. With three factories removed from the list because of reduced water withdrawals, one removed because it was sold and one factory added to the list because increased water withdrawals took it above our threshold, we now have 28 such facilities.

During the period 2014/15, we have implemented projects in 12 HPMFs to save 769 158 m<sup>3</sup> of water, which is equal to 1.7% of their total aggregated withdrawals compared to 2012.

Our analysis also shows that at the end of 2015, we had decreased water withdrawals (m<sup>3</sup>/yr) and improved water use efficiency (m<sup>3</sup>/tonne) in 57% of these sites against our 2014 baseline.

In 2015, 16 HPMFs saw both a decrease in water withdrawals and an improvement in water efficiency (compared to 2014).

 [Read about how we measure water stress.](#)

<sup>4</sup> This total includes a restated figure of 19 reviews in 2014.

## Water stewardship beyond our factory gates

The sustainable supply of water of a sufficient quality and quantity is essential for our factories, but with many other stakeholders extracting water from, and returning water to, a single catchment, the process is complex. We therefore understand that, sometimes, we can make the greatest difference to the health of a local water catchment by investing in multi-stakeholder initiatives beyond our own operations.

Collective community action can help embed long-term sustainable water use, so we aim to invest in shared initiatives that help other catchment users to improve water stewardship in selected sites.

### Our objective

- **By 2016** – Define water stewardship initiatives and start implementation in five high-priority locations.

Our management teams have identified five high-priority locations where water stewardship initiatives are necessary. Although progress varies, by the end of 2015, activities had begun in all five locations; two examples are provided in the case studies on this page and pages [142](#) and [161](#).

Implementing these programmes will improve the sustainable management of shared water resources in the water catchments where we operate, and strengthen stakeholder perceptions of our local contribution.

### Water stewardship in the Kabini River basin, India



The Kabini river flows through the state of Karnataka, where Nestlé's Nanjangud factory is located. The river catchment is 7000 km<sup>2</sup> in area, 46% of which is agricultural land. In recent years, low rainfall, combined with high water demand within the catchment, has resulted in periods of insufficient water supply for the sugarcane and rice farmers in the river basin.

To extend water stewardship efforts across the whole catchment area, Nestlé India's Nanjangud factory continues to engage with local government departments. It also signed a Memorandum of Understanding with AgSri, an agricultural services company that developed ecologically sustainable systems, such as the Sustainable Sugarcane Initiative (SSI) and the System of Rice Intensification (SRI), to conduct pilot projects. These trials will test the likelihood of rice and sugarcane farmers adopting improved techniques for growing water-intensive crops over a three-year period.

After a three-month delay, the project to implement the SSI activities in the Kabini basin eventually began in September 2015. In the first quarter, this has involved:

- Identifying sugarcane and rice-growing villages in the Kabini catchment, and selecting farmers for training;
- Collecting baseline information and establishing planting protocols for SRI/SSI;
- Establishing greenhouses and an SSI nursery with a capacity for 45000 plantlets; and
- Preparing and distributing training materials in the local language, and training around 110 sugarcane and 101 rice farmers.

We will continue to conduct training for rice and sugarcane farmers across the entire river basin and the seedlings will be sent out from the nursery to a selection of farms in early 2016.

# Public policy advocacy and collective action

A healthy debate around water policy offers water users, including Nestlé, the opportunity to hear different viewpoints, share ideas and learn from best practice. We are all facing the same pressing challenge – to provide water and food for a rising global population – and it calls for common goals and joint efforts. We believe that governments must provide leadership to establish effective water policies that give people universal access to clean, safe water and sanitation, and allocate water sustainably at a local level. We play our part by advocating for effective water policies and water stewardship, believing that public policy dialogue leads to stronger collective action.

- W** Work to achieve water efficiency and sustainability across our operations
- A** **Advocate for effective water policies and stewardship**
- T** Treat the water we discharge effectively
- E** Engage with suppliers, especially those in agriculture
- R** Raise awareness on water conservation, and improve access to water and sanitation across our value chain

## Advocating for effective policies

### Our commitment



### Advocate for effective water policies and stewardship

Currently, 36.7% of our factories are located in water-stressed regions, making responsible water stewardship a critical issue for our business and our stakeholders. We therefore maintain a strong presence in high-profile water initiatives, advocating for effective policies and responsible stewardship around the world.

This proactive approach enables our people to engage with water issues first-hand, and helps inform our activities at every level. We continue to work with governments, UN agencies, international bodies, NGOs, public-private partnerships and other stakeholders to help address global water issues. We have listed our primary relationships and activities below.

Current engagement and relationships	
<a href="#">2030 Water Resources Group (2030 WRG)</a>	Nestlé chairs this public-private-civil society collaboration, working on programmes in South Africa and Mongolia, and starting to engage in Kenya, Bangladesh and India. <a href="#">Read more.</a>
<a href="#">Alliance for Water Stewardship (AWS)</a>	Nestlé is a founding partner of AWS and a member of the AWS International Standard Development Committee, supporting the production of its new voluntary <a href="#">International Water Stewardship Standard</a> . <a href="#">Read more.</a>
<a href="#">Stockholm International Water Institute (SIWI)</a>	In 2015, Nestlé maintained our three-year partnership with SIWI and again participated in World Water Week.
<a href="#">Sustainable Agriculture Initiative (SAI) Platform</a>	Nestlé is a founding member of the SAI and actively participates in working groups for coffee, dairy and fruits. Carlo Galli, Nestlé's Water Resources Technical Director, currently chairs the SAI's Water Committee. <a href="#">Read more.</a>
<a href="#">UN CEO Water Mandate</a>	Nestlé is a founding signatory of the Mandate and an active member of its three workstreams. We publish a <a href="#">Communication on Progress</a> every year and participated in the Mandate's 15 <sup>th</sup> Working Conference in Stockholm in August 2015. <a href="#">Read more.</a>
<a href="#">Water Footprint Network</a>	In 2015, we continued to share information about our coffee water footprint with other water users at the Stockholm Water Week, to encourage collective action.
<a href="#">ISO Water Footprint</a>	We contributed to guidelines for the application of the ISO 14046 standard <i>Environmental management – Water footprint</i> by providing an illustrative example of how to estimate the water footprint of a cup of instant coffee compared with that of drip filter coffee.
<a href="#">World Business Council for Sustainable Development (WBCSD)</a>	We support the activities of the WBCSD's Water Leadership Group, and are represented on many workstreams, including WASH, the value of water and water stewardship. We signed the <a href="#">WASH Pledge</a> in 2013 and are using the WBCSD's self-assessment tool across our own operations. <a href="#">Read more.</a>

## 2030 Water Resources Group

### Our objective

- **By 2016** – Continue to build the 2030 Water Resources Group Public Private Partnership by adding two more countries per year, and further develop and publicise the Global Catalogue on Good Practices.

Several of our most senior people, including our Chairman, play a leading role in the 2030 Water Resources Group (2030 WRG), whose governing council meets annually. We currently chair this public–private–civil society collaboration, which seeks to bring about practical solutions for reforming water resources in water-stressed developing economies. Some of them, such as in Kenya and Bangladesh, were started in 2015, while our most recent engagement supports the national Clean up Ganga plan in India, where 2030 WRG works with the federal government and the state of Uttar Pradesh.

Work in other countries has been going on for some time, such as South Africa, India (Karnataka state) and Mongolia, where work has already resulted in concrete programmes now being implemented. The plan is to add one or two countries annually over the next couple of years.

We also continue to promote the 2030 WRG's [Catalogue of Good Practices in Water Use Efficiency](#), an open source, global knowledge base of good practices on water transformation published with the assistance of the Stockholm International Water Institute.

## UNGC CEO Water Mandate

### Our objective

- **By 2016** – Support the launch of the CEO Water Mandate Guidance for Companies on Respecting the Human Rights to Water and Sanitation and pilot test the Guide in our water due diligence in selected markets.

Nestlé is a founding signatory of the [UNGC CEO Water Mandate](#), which was set up to help companies develop, implement and disclose their water sustainability policies and practices. We actively participate in the Mandate's workstreams on Policy Engagement, Water Disclosure and the Human Right to Water, and hope to contribute to a new Supply Chain workstream when it is launched. We also publish a [Communication on Progress](#) every year, and attended the Mandate's 15<sup>th</sup> Working Conference in Stockholm in August 2015.

Over the last couple of years, we have contributed to the publication and launch of two important documents:

- The [CEO Water Mandate Corporate Water Disclosure Guidelines](#), which seek to offer a common approach to disclosure and reporting approaches so that companies spend more time on managing water and less time on reporting; and

- [Guidance for Companies on Respecting the Human Rights to Water and Sanitation: \*Bringing a Human Rights Lens to Corporate Water Stewardship\*](#), designed to help companies translate their responsibility to respect the human right to water and sanitation into their water management policies and practices.

This second CEO Mandate document has been used to guide our approach to water due diligence, forming the basis for our own *Human Right to Water and Sanitation Guidelines*. These were finalised at the end of 2015 to embed our commitment across our operations. The guidelines provide consistent directives on how Nestlé markets and factories can respect and support the human right to water and sanitation throughout our supply chain.

## Supporting the WBCSD WASH Pledge

### Our objective

- **By 2016** – Support the World Business Council for Sustainable Development (WBCSD) to achieve 50 signatories of the WASH Pledge.

The business sector operates across a wide value chain, and is uniquely positioned to respect and promote the need for safe water and adequate sanitation. Members of the [World Business Council for Sustainable Development \(WBCSD\)](#) have developed a [public pledge](#) where participating companies agree to deliver access to safe water, sanitation and hygiene (WASH) for all employees working in premises under direct company control within three years.

To date, 38 signatories have adopted the WASH Pledge, representing a range of sectors and locations in Europe, the United States, Africa, Asia and the Middle East. Nestlé was one of the first to sign up, to demonstrate how we deliver on our *Corporate Business Principles* and put our people first.

Over the past year, we have helped promote the value of the Pledge to the business community through public platforms and participation in peer-to-peer dialogues, such as when Carlo Galli, Nestlé's Water Resources Technical Director, participated at a World Water Week seminar in Stockholm. Nestlé CEO Paul Bulcke was also one of several WASH Pledge signatory executives to feature in a ['call to action' video](#) released on the UN's World Toilet Day (19 November) to raise awareness and encourage more companies to sign up.

At the current level of signatories, over 2.2 million employees<sup>5</sup> will be ensured access to safe WASH in the workplace at an appropriate level, including 339456 employees from Nestlé. We want to help the WBCSD reach 50 signatories by 2016, believing that all participants are lending their voice to a global movement to accelerate universal access to water and sanitation. If all WBCSD member companies signed the WASH Pledge, it would represent 19 million employees<sup>6</sup>.

<sup>5</sup> This calculation is based on the figures displayed on the respective signatories' websites and/or 2013/2014 reports. Source: WBCSD.

<sup>6</sup> Source: WBCSD (internal)



We already commit to providing access to clean water to our employees at all of our direct operations, as part of our existing commitment on water stewardship. By signing the WASH pledge, we are reaffirming this commitment and our recognition of our responsibilities as manufacturer and employer. We hope that together with the other companies that have already signed up, we can encourage more businesses to do the same.”

**Carlo Galli, Water Resources Technical Director, Nestlé**

## Collaborating to assess and mitigate water risks

### Our objective

- **By 2016** – Work with the Sustainable Agriculture Initiative Platform (SAI Platform) and the Sustainable Food Lab (SFL) to implement the Water Risk Assessment and Mitigation collaboration initiative in at least one sourcing area of agricultural raw materials.

In June 2014, the [Sustainable Food Lab \(SFL\)](#) and [SAI Platform](#) launched the Joint Water Risk Assessment and Mitigation project. This facilitates the sharing of strategies for assessing and mitigating water risks among food companies, and partners with existing platforms such as the Water Futures Partnership to take advantage of their unique competencies.

Led by food and beverage companies, including Nestlé, and now joined by many other organisations, the potential for collaborative projects in Mexico, California and India has been identified. A year after the project was launched, Nestlé participated in the initial phase, mapping sourcing information from founding companies and additional experts, and in 2016, we plan to support the SAI Platform in implementing its mitigation efforts. To date:

- The California Water Action Collaboration was launched in March 2015. The unsustainable use of groundwater caused by prolonged drought saw Nestlé and other food and beverage companies support efforts to improve groundwater management planning, replenish groundwater, and engage in dialogue with farming communities and supply chain stakeholders;
- General Mills, our joint venture with Cereal Partners, is funding scientific analysis for the mapping phase of the water collaboration project in the water-scarce Bajío region of Central Mexico; and
- The water risk collaboration in Guanajuato, Mexico, is still in the scoping and research phase, and Nestlé Mexico may engage when the initiative is launched in 2016.

We believe the initiative will open new avenues to promote sustainable agricultural methods and landscape level collaboration. Where water risk intersects agricultural uses, a collaboration of companies has the potential to bring together sustainable sourcing programmes across multiple crops and to work with farmers and suppliers to address the incentives needed for change.

## International standards for water footprinting

The publication of the international standard [ISO 14046:2014 Environmental management – Water footprint – Principles, requirements and guidelines](#) in 2014 marked the culmination of five years of collaboration between more than 90 experts across the world, including representatives from Nestlé. The standard specifies a methodology for assessing the impact of products on water, from farm to consumer and beyond, providing transparency, consistency and credibility to organisations’ water footprint assessments.

In 2015, we contributed to the development of the *ISO/AWI TR 14073 Environmental management – Water footprint* document, which will provide illustrative examples on how to apply ISO 14046. We submitted a case study on how to identify material environmental issues along the life-cycle chain for spray-dried coffee, compared with drip filter coffee and capsule espresso coffee.

In France, we have already used the new standard to measure the water impact of a cup of *Nescafé*. The assessment determined that more than half of the water impact occurs during the agricultural stage of our value chain, and a quarter at the consumer stage. As a result, the [Nescafé Plan](#) is helping farmers improve agricultural practices, boosting water savings in factories, and providing consumers with tips to use the right amount of water, at the right temperature, when preparing a cup of coffee.

In Italy, we conducted a life-cycle assessment (LCA) comparing the environmental performance of the new [Nescafé smart pack](#) with the previous glass jar. The assessment included a comprehensive set of environmental indicators, including greenhouse gas (GHG) emissions, water withdrawals and resource consumption. When compared with the glass jar, the new smart pack reduces GHG emissions by 79%, water withdrawals by 72% and resource consumption by 77%.



**Read more** about [LCAs](#).

## Implementing the Alliance for Water Stewardship Standard

### Our objective

- **By 2016** – Initiate the roll-out process of the Alliance for Water Stewardship's (AWS) International Water Stewardship Standard by implementing it in at least five locations.

The AWS [International Water Stewardship Standard](#) is a universal reference tool for any organisation to use as a framework for evaluating its water stewardship practices. The Standard provides new ways to measure and deliver water efficiency and its universal terms of reference have the potential to advance public dialogue around water stewardship.

The Standard defines a set of criteria and indicators for a site or catchment, to ensure water use is environmentally, socially and economically beneficial. It provides organisations with a continual improvement framework that enables water stewards to commit to understand, plan, implement, evaluate and communicate water stewardship actions.

Nestlé used the AWS Standard's principles this year at selected high-priority locations. Having signed a partnership with WWF-Pakistan, we helped launch the AWS Standard in the country at a Water Symposium in October 2015, and signed an agreement to implement practices to meet the Standard at our Islamabad factory. The AWS Standard is being implemented at our [Sheikhupura facility](#), all nine of our factories in California and other sites within our bottled water business.

We have produced internal guidance on the AWS Standard to assist our operational teams with implementation, and a wider roll-out is planned for 2015.



Nestlé is always looking for opportunities to reduce, recycle and reuse water in our operations. That is why we are very excited about our partnership with WWF-Pakistan. We not only hope to achieve the water stewardship milestones we have set for ourselves sooner, but also to help further reduce the water footprint across our value chain."

**Waqar Ahmed, Head of Corporate Affairs,  
Nestlé Pakistan**

## The SuizAgua programme in Peru



According to the Intergovernmental Panel on Climate Change (IPCC), Peru is among 12 countries already facing water stress, where water demand is greater than the amount available. Average rainfall per year in Lima – home to nearly 10 million people – amounts to just 13 mm.

Collective action by all water users is critical to improving water efficiency. In April 2013, the Swiss Agency for Development and Cooperation (SDC) and Nestlé Peru signed a cooperation agreement to measure and reduce the water footprint of our operations in Lima.

Through the SuizAgua project, implemented by the NGO Agualimpia, a programme of action has taken place since 2013. This has involved:

- **Supplier talk:** a presentation helped three of Nestlé's main suppliers understand local water resources and the ways they can assist;
- **Neighbour talk – water care:** our neighbours were invited to a talk sharing ways to reduce their water footprint and increase savings;
- **Ice cream tank washing water reuse:** we are storing and reusing more water during our production processes;
- **Water level sensor installation in mixture preparation tanks:** level sensors are helping us control water use better; and
- **Technical assessment of pasture and water management:** technical assistance provided to milk providers in Chetilla–Cajamarca is improving the quality of milk and the productivity of the farmers, generating better incomes and improving wellbeing in the rural community.

## The Water Challenge blog

Our Chairman, Peter Brabeck-Letmathe, has led a [Water Challenge blog](#) since 2012 to stimulate discussion and debate about the important issue of water use and availability around the world. He regularly writes about water scarcity, access to water and the notion of fair water pricing to drive them up the public policy agenda. His recent posts have covered [Wastewater as a resource](#); [Water pollution](#); [Untreated wastewater](#); [Finance for a water secure world](#); and [Big data to improve water efficiency](#). Other topics addressed by guest contributors range from [the value of water](#) to [the role of forests in the water supply](#).

Mr Brabeck also hosts a [LinkedIn Water Group](#) intended to stimulate open debate on the vital issue of water availability around the world.

# Water treatment and quality

The direct use of good-quality water is vital for Nestlé's operations. We use water at our 485 factories around the world to perform many functions, including washing fresh raw materials, reconstituting dried ingredients, extraction, cooking, cooling and cleaning; we also have a bottled water business. We want to make sure we treat any liquid effluents that result from such processes effectively before reusing them or releasing them into the environment. Wherever possible, we use municipal wastewater treatment facilities, but where they do not exist or cannot meet our standards, we operate our own treatment plants.



## Effective water treatment

### Our commitment



### Treat the water we discharge effectively

According to UNEP, 80% of the world's wastewater is currently discharged into the environment untreated. This poses health risks and pollutes water sources, and often affects the poorest countries the most.

At Nestlé, we are committed to treating the water we discharge in a responsible manner. We have long provided services to treat the effluents from our operations, having built our first Waste Water Treatment Plant (WWTP) in Switzerland in 1932, and adhere to strict quality targets for reusing water or returning it to the environment.

We aim to use the most efficient technologies and apply best practice, minimising the generation of effluents.

At the end of 2015, our efforts to improve wastewater treatment efficiency and capacity had reduced water discharges per tonne of product by 8.2%, and improved the average water quality discharged by 2.3% to 70 mg COD (Chemical Oxygen Demand) per litre. This means that since 2005, water discharges per tonne of product have fallen by 56%.

## Setting new standards

### Our objective

- **By 2016** – Implement the new Nestlé Environmental Requirements for water quality and effluent discharge in all factories.

In 2012, we strengthened our Nestlé Environmental Requirements (NER) for water quality and effluent discharge to ensure we go beyond compliance with the legal requirements of the markets in which we operate. New facilities are obliged to meet the requirements immediately, while existing plants have until the end of 2016 to comply.

At a corporate and site level, we track water indicators including quantity, destination and quality of water discharges. We use the Water and Effluents dashboard to get a better understanding of our performance over time. The dashboard consists of two main sections: a monthly section at the top with monthly values of the main water and effluents indicators over the last 12 months, and a section with year-to-date values of a broader range of water and effluents indicators at any point in time. The dashboard also showcases water quality against our internal standards at a factory level. All manufacturing sites report their water discharge indicators monthly, and these figures are consolidated to give us a global picture.

The system also generates factory-specific Water Process Maps, which show the water withdrawn upstream (by source), the water used in our operations and the water discharged (by destination) over the selected period. Together with this tool, we also released a Water Flow and Effluents toolkit that helped users review data monthly or annually, to identify further opportunities for improvement.

The NER have been communicated through clear guidelines and information tools. We have toolkits in place to [train our people](#) on the use of the Water and Effluents dashboard and Water Process Map.

Water quality is also a key aspect of our programme of [Water Resource Reviews](#), which help ensure compliance with applicable water legislation as well as our own standards, and help prevent potential contamination risks upstream and downstream of our facilities.

## Wastewater treatment infrastructure

Today, all our factories either have their own wastewater treatment plant on site, or are linked to a local municipal facility. Where such plants don't exist or aren't able to meet our stringent standards, we invest in our own plants. Building new plants or upgrading existing ones to improve efficiency or increase capacity is an ongoing process.

We aim to use the most efficient technologies and apply best practices to minimise waste generation and recover value from by-products.

In developing such infrastructure, environmental aspects that could affect the local neighbourhood are always given special attention, and we place strict controls on noise and odours.

# 19.4m

Approved spend on new and upgraded treatment facilities

# 91%

Amount of sludge recovered or reused



### 1 Americas: Brazil

At our dairy factories in Brazil, we reuse the water extracted from milk to save resources (we have a total of 12 dairy factories in Brazil, one of which does not have the milk concentration step for which this technology is used and is therefore excluded from this statement). Milk is composed of 80% water and, during the production of powdered (*Ninho* and *Molico*) and condensed (*Moça*) milk products, we need to remove this water. But instead of being disposed of, the whey is evaporated and treated, so it can be used to cool down equipment and for cleaning. In 2014, this reused water represented 28% of water withdrawal across 11 of Nestlé Brazil's dairy factories. We also benefit from directing the extracted whey to feed boilers and produce energy. The same approach is also employed at the wastewater treatment plant of our [Cero Agua milk powder factory](#) in Mexico.

### 2 Americas: Guatemala

The Malher dry food factory, which produces 1300 tonnes of condiments, spices and seasoning per month, is located on the Villabolos River, which flows into Lake Amatitlán, a popular tourist destination. When Nestlé acquired the factory in 2012, its filtration processes met legal requirements for water discharge, but not our own high standards. Over the last two years, Nestlé has invested over CHF 400 000 to radically improve the quality of water discharges leaving the factory. A multi-modular Waste Water Treatment Plant was installed in 2015, separating solids, removing organic material and filtering the water so that it can be reused safely. Nestlé also implemented several water-saving projects that reduced water withdrawals by 25%.

### 3 Europe: Switzerland

Nestlé Waters' ECO-Broye programme facilitates and coordinates efforts to preserve natural resources and sustain economic development around the source of its Henniez mineral water brand. Launched in 2009, this holistic, community-based initiative involves:

- Establishing over 2000 hectares of ecological corridors between the natural habitat and farmland to protect local biodiversity;
- Creating a natural filtration zone for a tributary of the River Broye, improving the quality of groundwater and local streams by using plants able to absorb unwanted chemicals and minerals; and
- A biogas production project, adjacent to the Nestlé Waters plant, transforming organic waste from local farms and industry into clean energy. This will avoid an estimated 1750 tonnes of CO<sub>2</sub>eq, and save the factory around CHF 60 000 a year.

### 4 Asia: The Philippines

At our Tanauan factory, which produces non-dairy creamer and *Bear Brand Instant* (BBI), the in-house wastewater treatment plant was struggling to cope with the organic-rich waste, and treating the waste elsewhere incurred significant additional costs. Nestlé invested CHF 3.1 million in an anaerobic digester to treat the organic waste, and provide additional capacity to treat other potential waste. The digester also produces 6100 kg of biogas a day, providing a source of energy across the factory, reducing expenditure on fossil fuels and reducing emissions by 1885 tonnes of CO<sub>2</sub>eq a year. The upgrade will save Nestlé CHF 500 000 a year and we are now looking at replicating the approach at other factories with high levels of organic waste.

## Using technology to improve water treatment in Vietnam



Most coffee factories treat waste with chemicals before transferring it to a municipal plant. But when Nestlé Vietnam built the Tri An factory in September 2012, it wanted a 'best-in-class' facility that would reduce waste and increase water reuse.

For the first time in a Nestlé coffee factory, a biological aerobic treatment plant with membrane bio-reactors was constructed. Waste is passed through a specialised ultra-filtration, hollow fibre membrane, which is so fine that even bacteria and viruses cannot pass through. The remaining water is then treated using reverse osmosis filtration, making it clean enough to be reused in facilities such as cooling towers. This has reduced the factory's daily water consumption by over 30% and its water discharge by over 50%, saving 90000 tonnes of water per year.

We are now analysing whether the factory's boilers can also use the treated water, which could save a further 36000 tonnes of water a year.

## Employee training on wastewater and water quality

Meeting our own ambitious targets for discharged water quality will be a challenge, so training and awareness-raising among our employees is a priority. Training in wastewater management is an area of particular opportunity for those employees working at our Waste Water Treatment Plants (WWTPs), as our performance relies on their skill and competence.

While some countries, such as France and Spain, already have strong training programmes in place, we can improve in other locations. Therefore, we are developing a standard global training programme for the plant operators, technicians and engineers who run our WWTPs. Working with external partners to deliver the sessions, we held workshops in Nigeria, Côte d'Ivoire and Indonesia during 2015.

To ensure the water we discharge into the environment is clean, it is vital we have both the infrastructure and the knowledge to do so effectively. To help facilitate this, we instigated water treatment and management workshops in Nigeria, Indonesia and Côte d'Ivoire during 2015.

Our assessments in Agbara, Nigeria, and Yopougon, Côte d'Ivoire, indicated that while our infrastructure was adequate, performance was sometimes hindered by gaps in the training and knowledge of our staff. In Indonesia, we also identified a need to manage storm water effectively to avoid environmental damage and flooding.

Collaborating with training provider AQUA MPS in Central West Africa, and sharing best practice with Nestlé dairy and coffee factories in Indonesia, we ran a series of workshops over the course of the year. These involved a mix of classroom and on-site training, as well as inspections of the plants and their operations. The training covered a number of different treatment processes, and gave participants a clearer and deeper understanding of water quality and conservation. In Indonesia, this was supplemented by information about the segregation of wastewater from stormwater networks, eliminating contamination and flood prevention, to ensure we are well prepared for adverse weather.

Having trialled the initiative, Nestlé is now collaborating with AQUA MPS to ensure it continues in a more formal way. Remote support for each site will be supplemented by one visit per year, to involve refresher training and an on-site inspection, as well as webinars and newsletters to strengthen knowledge among the relevant personnel. We have also identified two managers in Nigeria and Côte d'Ivoire who will become in-house 'champions' of the programme.

In 2016, the programme will be implemented in three more factories in Central West Africa: Flowergate (Nigeria), Tema (Ghana) and Abidjan Z4 (Côte d'Ivoire). We will provide training, coaching and technical support to ensure our operations operate efficiently and consistently, analyse wastewater accurately, and comply with all internal and external standards and regulations.

We also conducted Safety, Health and Environmental Sustainability workshops in the United States, Germany and Vietnam to reinforce leadership in our operating companies around the world. The wide range of topics addressed included compliance, assessing and managing environmental impact, and feedback on the [Nestlé Environmental Requirements \(NER\)](#).

We also engage with external stakeholders on ways to improve the use of resources to protect the environment and promote sustainability. For example, Nestlé's Qazvin factory in Iran organised a two-day Safety, Health and Environment conference in December 2015. The conference sought to raise awareness on water, as well as on waste management and occupational health and safety. The participants, including government officials from the Ministry of Health and Environment Protection Organisation, and more than 100 experts from different industries, also visited our on-site wastewater treatment plant to share best practices.

## Water in our supply chain

Every year, Nestlé works directly with around 760 000 farmers, providing a wide range of support – from drought-resistant plantlets to sharing information about agricultural methods that maintain yield while using less water. Our sphere of influence touches millions more suppliers through the commodities we purchase, such as coffee, cocoa and milk for our products, and paper for our packaging, so engaging with our suppliers, especially those involved in agriculture and forestry, is critical to achieving water security and meeting our water stewardship commitments. Prioritising interventions in water-scarce locations and Important Water Areas<sup>7</sup>, we provide training to farmers on water quality, water usage and retaining soil moisture, while our R&D teams support the selection and propagation of drought-resistant cocoa and coffee trees.



### Working with our suppliers

#### Our commitment



**Engage with suppliers, especially those in agriculture**

We estimate that around 63.5 billion m<sup>3</sup> of water is consumed by the agricultural goods we use in our products ([93.3% from rainwater and 6.7% from irrigation](#)). And with over 70% of the world's available freshwater supplies used to grow food, the food and beverage industry is in a strong position to influence improvements in global water stewardship. Industry leaders have already achieved significant advances in sustainable water management in their operations but we must focus beyond the factory gates, where farmers are often the biggest users of water and the key stakeholders in a catchment.

Nestlé's greatest challenge to reducing water consumption lies in addressing the impacts of our complex agricultural supply chains. Water management and conservation is specific to a locality and is usually temporal in nature. Our research indicates that we can achieve significant improvements in water use simply by introducing better agricultural techniques at a farm level, some of which require significant investment.

We are currently implementing our [Responsible Sourcing Guideline \(RSG\)](#) for 12 major categories of ingredients, with specific requirements on social and environmental aspects; these include water management guidelines based on the Principles & Practices for Sustainable Water Management in Agriculture – at a farm level developed by the Sustainable Agriculture Initiative (SAI) Platform.

### The Sustainable Agriculture Initiative (SAI) Platform

Nestlé is one of the founding members of the SAI Platform, a non-profit organisation that promotes the principles and practices needed for sustainable water management in agriculture among food and beverage companies. Its Water Committee recently issued a [Water Footprinting of Livestock](#) report, summarising key water footprinting methodologies for livestock production and highlighting gaps and areas for improvement.

The SAI Platform's Water and Agriculture Working Group has also finalised a new report on [Water Stewardship for Sustainable Agriculture](#). This document, intended for food and drink companies and their agricultural supply chains, provides practical guidance on the steps required for farm-level water stewardship. The report aims to empower key decision-makers such as business leaders and farm managers to understand the scope of farm-level water stewardship and where specialist expertise is required; to make the right practical and investment choices; and to communicate better on water stewardship issues. The three clear steps to farm-level water stewardship described in the report are improved knowledge, an assessment of risks both to and from the farm, and actions to address those risks.

<sup>7</sup> Water-related areas of a catchment that are legally protected or under a conservation agreement which, if impaired or lost, could adversely impact the environmental, social, cultural or economic benefits derived from the catchment in a significant or disproportionate manner.

## The Sustainable Agriculture Initiative at Nestlé (SAIN)

We also have our own global programme to support farmers and promote sustainable development across a range of commodities. The Sustainable Agriculture Initiative at Nestlé (SAIN) enables us to address key challenges in water management and irrigation, such as resilience to drought and flooding; wastewater and organic waste treatment; and farm intensification techniques.

Through SAIN, we hold regional workshops for farmers and share best practice through field projects and public-private partnerships, some of which are featured in this chapter.

Our initial objective, to be achieved by 2015, was to define and start to implement action plans to save water in our upstream supply chains for coffee, sugar, rice and cereals, and our work in this area has been extended into 2020. Focus is given to high-priority locations, which are selected based on a range of water-related issues such as exposure to scarcity, floods and competition with other users.

### Our objectives

- **By 2015** – Define and start to implement action plans to save water in our upstream supply chain for coffee, sugar, rice and cereals in high-priority locations.
- ⊕ **By 2020** – Implement all action plans defined for improved water management in our upstream supply chain for coffee, sugar, dairy and cereals in high-priority locations.

### SAIN action plan: coffee

In 2014, through our SAIN programme, we defined and began to implement an action plan to save water in our upstream supply chain for coffee. We promote water conservation to our network of around 20000 Farmer Connect suppliers in Vietnam through our [Nescafé Better Farming Practices \(NBFP\)](#), developed in collaboration with the NGO Rainforest Alliance. The NBFP recommend farm-level methods such as fixing leaks, using irrigation techniques such as drip systems, and scheduling irrigation to help farmers increase crop yield and quality while using less water. These help farmers move towards compliance with social and environmental sustainability criteria such as the 4C Code.

### Saving water in Vietnam's coffee fields

Vietnam is the world's second-largest coffee producer and the world's largest exporter of Robusta coffee, with 2.6 million people relying on the sector for their livelihood. Most coffee is grown in the Central Highlands, where agriculture accounts for around 96% of the region's water use. But erratic rainfall, prolonged periods of drought and overextraction means that groundwater scarcity poses a growing threat to farmers, households and industry (watch a short [video](#)).

A study by Nestlé and the Swiss Agency for Development and Cooperation (SDC) to evaluate water sustainability in the coffee sector of Vietnam estimated that, on average, coffee farmers use 60% more water for irrigation than necessary during the dry season. They also incur financial and labour costs, having to buy petrol to operate well pumps and spend time watering their fields.

We have worked in a public-private partnership with the SDC since 2011 to improve irrigation practices with Vietnam's coffee farmers, and educate those beyond our network about good agricultural practices and water management. Our five-year partnership now serves more than 50000 farmers and by 2018, the project will deliver an action plan for water-scarce hotspots; an early warning weather system; a training programme with field schools; and capacity-building for local institutions.

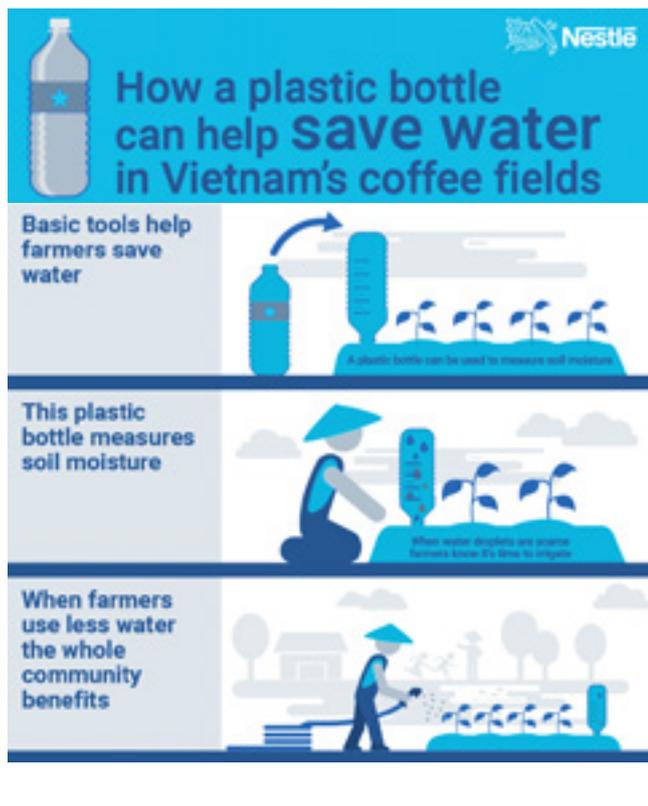
- **Action plan:** in cooperation with the University of Neuchâtel, a large-scale water supply and demand study conducted in Dak Lak province found that groundwater resources are replenished two to three months after the dry season. Detailed results will be presented to an international conference in Vietnam in March 2016.
- **Early warning weather system:** in cooperation with the Hanoi University of Science, a short-term weather prediction model has been developed for the Central Highlands. It is currently being fine-tuned and tested. The weather forecast is updated every six hours and predicts up to 36 hours ahead.
- **Farmer training programme:** around 60 trainers have attended five Train the Trainer sessions, and almost 7000 beneficiaries have been trained on five Good Agricultural Practices topics. Participation rates in the farmer field school programme averaged around 80%.
- **Policy advocacy:** in cooperation with the National Agricultural Extension Centre, an agricultural forum focusing on water and fertiliser use in the coffee sector was attended by around 200 farmers from the five Central Highland provinces, where they had the opportunity to directly interact with key coffee experts.

## Nestlé Vietnam and ACOM test coffee irrigation techniques



In Vietnam's Lam Dong province, Nestlé has been working with Atlantic Commodities (ACOM) on a year-long study to examine the water-saving potential of different coffee irrigation methods. Throughout 2015, information was disseminated to farmers in coffee-growing districts, water-saving and drip irrigation systems were set up, and selected farmers were taught how to manage and record the water they used to irrigate their crops. Nine demonstration plots were successfully established. Results will be available in 2016.

Although it is too early to assess the effectiveness of the new systems, coffee trees are already showing better vegetative growth at the drip irrigation plots, and less water, energy and labour is being used in coffee cultivation. Fertiliser can also be applied by dissolving it in the water used to irrigate the trees rather than being applied to each tree manually. We continue to conduct follow-up visits to provide on-site advice, and invite the farmers to visit the demonstration plots to exchange knowledge and share ideas.



## Intelligent water management in Colombia

Colombia endures periods of both water shortage during dry years and excess from periods of intense rain. This imbalance affects the productivity of coffee farms, with yields down by up to 40%. As coffee is the country's main agricultural product, an effective integrated water management system needs the coffee sector to act as a pioneer and key stakeholder.

To help address the issue, *Nescafé* and *Nespresso* launched a major water stewardship initiative: the Intelligent Water Management (IWM) project. In cooperation with the Colombian Ministry of Rural Development, the Colombian Federation of Coffee Growers (FNC), the Dutch Ministry of Foreign Affairs and the Wageningen University and Research Centre (WUR), the IWM project seeks to make the Colombian coffee sector more resilient to the effects of climate change and water scarcity through improved environmental performance at a farm and watershed level.

With a budget of EUR 20.5 million (CHF 24.6 million) over five years (2014–2018), this public–private partnership involves programmes tailored to local needs and conditions in 25 river catchments. The beneficiaries include around 500 000 water users, including 11 000 coffee farms. The programmes focus on four areas:

- **Clean technology transfer** – saving water and discharging better-quality water after the coffee-washing process. Training on the economic management of farms and IWM has been given to hundreds of participating coffee-producers, while 10 pioneering water-reuse systems have been constructed. The feasibility of a central mill as an alternative to individual mills was also assessed.
- **Healthy ecosystems** – using agroforestry and bioengineering to minimise soil erosion and ensure the conservation of important water areas. Around 160 farms have been selected for reforestation and agroforestry projects, and coffee plantlets have been distributed to farmers to create nurseries. The replanting of 90 hectares will start in 2016. Fifteen sites prone to landslides have also been selected for specific bioengineering restoration projects to prevent soil erosion.
- **Knowledge generation** – implementing a water and climate monitoring system and preventing crop damage due to extreme weather events. All the equipment for 25 water and climate monitoring stations has been installed at selected farms, and two rounds of water samples taken.
- **Cooperation and participation** – collective action and advocacy through engagement with public and private sector organisations, academia and civil society. Action plans are under development, and 27 local *Manos al Agua* community participation groups have been set up.

As it enters its third year, the IWM programme will now concentrate on training farmers and implementing specific actions in each of the 25 river basins, including reforestation, bioengineering activities and the installation of climate monitoring stations.

## Sugar

We partnered with [Proforest](#), a leading NGO, to assess the key environmental and social risks in our global sugar supply chains, including key sourcing regions such as Mexico, Brazil, Thailand and India. Impacts on water, and whether withdrawal is minimised and water pollution prevented, are assessed during site verification visits, which include both the mill and its supply base. If risks against these criteria are identified, Proforest works with the supplier to develop a continuous improvement plan to mitigate those risks. Engagement with the suppliers is ongoing and longstanding, with further technical support and monitoring provided where necessary.

## Rice and cereals

Nestlé Nutrition also assessed the irrigation practices in key sourcing locations for the different cereals we use in our baby food products. An action plan will be initiated in 2016 proposing improvements that will lead to the more efficient use of irrigation water.

Over the next few years, Nestlé Nutrition also worked with rice suppliers and farmers in all current sourcing areas in the US, Latin America, Europe and Asia, to gain a better understanding of the impact of irrigation practices on the rice uptake of heavy metals.

### Direct seeding of rice in Pakistan

Conventionally, farmers across Pakistan cultivate rice by sowing seeds within nurseries, and then transplanting the seedlings into the puddled soil of the paddy fields. However, this approach requires large amounts of water, as well as labour and fuel. Also, in some areas, rice grown by traditional methods contains high levels of arsenic due to contamination from deep-well irrigated water.

This is a serious issue for Nestlé Pakistan, which uses rice in its products. Working with the University of Agriculture in Faisalabad, we ran a six-month field trial to test the direct seeding of rice, rather than the traditional two-step approach. Twelve of the most popular varieties of rice were sown under normal moisture conditions rather than in puddled soil.

The results highlighted a number of benefits. Water use was cut by up to 50%, arsenic residues were down by more than 65%, and much less labour was required to nurture the seeds. Even tractor use was halved, helping reduce fuel consumption and greenhouse gas emissions, and the directly seeded plants took two weeks fewer to grow.

Given the encouraging results, we will be collaborating with our suppliers to promote this new method of farming, to ensure we can continue to provide consumers with the best rice possible. We will also conduct further field trials at different locations across the Punjab to continue to evaluate the suitability of the direct seeding method, and investigate variances in arsenic residues across different varieties of rice.

## Dairy

We have now set ourselves the target of implementing our SAIN action plans by 2020. In so doing, we are also shifting our focus from rice to dairy. This is because fresh milk is the raw material we purchase the most of – a significant proportion of which comes from water-stressed locations (such as Pakistan, India, Mexico and California) – and the sector represents almost half our Farmer Connect direct sourcing network (352 000 dairy farmers out of 760 000 suppliers in total). We will report our progress in next year's report.

### Dairy farms' spring water collection, Panama

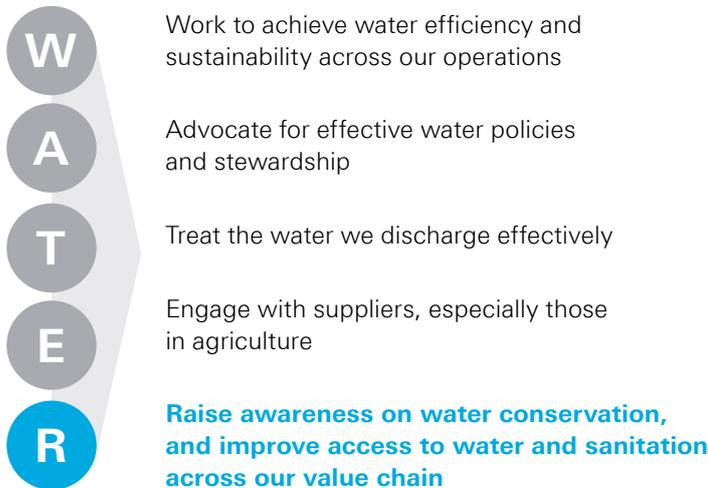
In Panama, there are two main seasons: rainy and dry. Normally, the dry season begins in mid-December and finishes in late May. During this period of water shortage, springs form where groundwater meets the surface.

In 2014, Nestlé Agricultural Services field inspectors helped build springwater collection points in five dairy farms in Panama to capture this water, and trained the farmers using our *Spring Water Collection Manual*.

As their cows could remain in pastures where no water was otherwise available, milking could continue during the long dry season. The cows and calves are now in better physical condition, and milk yields have risen by 10%. The number of farms adopting this approach increased to 25 in 2015.

# Community engagement

Water is a local, shared resource that must be carefully used and preserved by all stakeholders, so engaging with local communities is essential. Everyone has the human right to clean, safe drinking water and sanitation, and it is unacceptable that, today, some people are unable to access either. We want to improve access to water and sanitation across our value chain, working with expert partners including the World Business Council for Sustainable Development (WBCSD) and the International Federation of Red Cross and Red Crescent Societies (IFRC). We also seek to raise awareness about water conservation, and have supported education initiatives such as Project WET (Water Education for Teachers) to help our employees, communities, suppliers and consumers make better-informed decisions regarding effective water stewardship.



## Improving access to water and sanitation

### Our commitment



**Raise awareness on water conservation, and improve access to water and sanitation across our value chain**

Safe drinking water and sanitation is a basic human right. The World Health Organization estimates that every person needs 50 to 100 litres of fresh water per day to meet their basic daily needs. But today, according to the [WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation](#), 663 million people still have no access to improved drinking water sources and 2.4 billion lack adequate sanitation.

There is a clear and compelling economic case for all businesses to help address the current situation: providing safe water, sanitation and hygiene (WASH) contributes to broad societal goals such as reducing mortality and morbidity, strengthening community resilience and preserving personal dignity.

In 2015, we finalised the Nestlé Guidelines on Respecting the Human Right to Water and Sanitation, based on guidance from the [CEO Water Mandate](#). This new document provides consistent directives on how Nestlé markets and factories can respect and support the human rights to water and sanitation across the supply chain. We will report on its roll-out and implementation next year.

**Read about** our approach to [human rights](#).

## Local partnerships

To help deliver access to water and sanitation, we engage with a wide number of organisations. Our engagement can involve investment in water and sanitation infrastructure, [educational initiatives](#) or even providing bottled water [during emergencies or after natural disasters](#).

It is vital to ensure our partnerships and initiatives are tailored to the community and the water catchment they will support. Our activities must consider local priorities and needs, to create sustainable outcomes. Examples include educational programmes such as the SuizAgua programme in Chile, where we work to teach students about the importance of water, and a collaboration with WWF to provide clean drinking water in water-stressed Pakistan (see case study on [page 159](#)).

We also raise awareness of water and sanitation issues through our ongoing support for [Project WET](#) and our biennial [Nestlé CSV Prize](#); one of the runners-up in 2014 was MSABI's [True Life Water Point programme](#), one of the largest rural water, sanitation and hygiene projects in Tanzania.



It is imperative that we close the gap between supply and demand of safe fresh water if we are to thrive as businesses, communities or countries. We have pledged globally to water stewardship in an effort to adopt sustainable water practices, especially in areas where we operate, source our goods and where our suppliers and consumers live. Local communities play a very important role in achieving this objective."

**Marco Settembri, Chief Executive Officer, Nestlé Waters**

## Community access to water in Pakistan



In Pakistan, one of the most water-stressed countries in the world, access to clean drinking water is a key development challenge. More than 95% of the country's usable water is used for agriculture in rural areas, while only 2% is used by urban municipalities and 2% by industry.

To help manage water stewardship in our operations and throughout our supply chain, Nestlé Pakistan signed a partnership with World Wide Fund for Nature Pakistan (WWF-Pakistan). We are also implementing the [Alliance for Water Stewardship \(AWS\) Standard](#) at our Sheikhpura and Islamabad manufacturing facilities.

Against this backdrop, the potential impact of water withdrawals from our water bottling plant at Sheikhpura raised considerable public interest and sparked a social media campaign in 2014. In response, we undertook a review to determine the scientific basis of the allegations, and to increase our understanding of the communities using the local water catchment. A hydrological study by independent local experts indicated that depletion rates are low, and do not represent a threat to groundwater sustainability. The survey also confirmed that annual groundwater pumping by Nestlé (which is continuously monitored) amounts to just 1% of the total pumped in the area.

We have also found opportunities to strengthen public perceptions and improve access to water and sanitation around our facilities. For example, through our Community Engagement Programme, Nestlé Pakistan has established seven drinking water facilities near our factories, providing clean water to approximately 35 000 people.

Most recently, in November 2015, Nestlé Waters CEO Marco Settembri and Managing Director of Nestlé Pakistan Bruno Olierhoek inaugurated a water fountain in the village of Bhatti Dhilwan, near our Sheikhpura factory. At least 5000 people now have access to clean drinking water, and the health of local children has measurably improved. The company also renovated the Bhatti Dhilwan Government Primary School for Boys, and established a clean drinking water facility there, in July 2014. (Watch a [short video](#) here.)

An eighth drinking water facility is currently being built in Allahabad, near our Kabirwala factory.

The vision behind the [WBCSD WASH Pledge](#) is for businesses around the world to commit to ensuring access to safe water, sanitation and hygiene (WASH) for all employees under their control. Organisations signing the Pledge must commit to achieving this objective within three years; in time, the WBCSD hopes companies will then extend their commitment to all employees along their value chains and, ultimately, their households and communities.

Having adopted the [WASH Pledge](#), we made a public commitment to provide every one of our employees with access to WASH facilities in the workplace by 2015. We are also rolling out the WBCSD's self-assessment tool across our facilities, to measure access to and quality of WASH services, and to help our businesses identify gaps and make improvements.

We introduced the self-assessment tool in all sites under our control by the end of 2015 and provided guidance tools to support our teams. Overall, consolidated results show that our performance against the Pledge is very good.

Nearly 90% of our manufacturing facilities carried out the self-assessment, of which 90% met the Pledge level and 10% identified minor gaps (e.g. lack of toilets for disabled people, no signage for proper hand washing) that do not affect our basic WASH promise to our employees. Corrective action plans will be implemented throughout 2016.

Having focused our efforts to date at manufacturing facilities – the locations where most of our people work – during 2016, we will further focus on completing the self-assessment roll-out in those sites where it has yet to be performed (i.e. some of our offices and distribution centres).

### Executive support for the WASH Pledge

Marking World Toilet Day on 19 November 2015, a video message from senior executives, including Nestlé CEO Paul Bulcke, emphasised the need for universal access to safe water and sanitation, and the importance of Nestlé's support for the WASH Pledge. The [video](#) reminded employees that Nestlé was the first company to publicly sign the Pledge in 2013, and called on all markets to use the WBCSD self-assessment tool and define action plans to close any gaps identified during the assessment.

## WASH in the workplace

### Our objectives

- **By 2015** – Every Nestlé employee has access to safe water, sanitation and hygiene of an appropriate standard at the workplace.
- ⊕ **By 2017** – Implement all corrective action plans derived from the global roll-out of the WBCSD WASH Pledge self-assessment for safe water, sanitation and hygiene in the workplace at Nestlé premises.

## Improving access to water and sanitation in Central America



We launched the WASH Pledge at a WBCSD event in El Salvador in 2014, after which Nestlé Central America began the roll-out across Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama to help deliver access to safe water and adequate sanitation. This involved:

- Raising awareness of the WASH concept and our commitment to water access and conservation;
- Using the WBCSD self-assessment tool to benchmark current access to water, sanitation and hygiene in our workplaces;
- Driving ownership and engagement among all employees; and
- Extending the Pledge beyond our manufacturing facilities.

### WASH in the workplace

The WASH Pledge was displayed in 17 sites (seven Nestlé factories, one co-manufacturing factory, eight distribution centres and the Panama head office). The benefits of the Pledge were communicated to all employees through large-scale meetings and video-conferences, supported by a regional WASH ambassador and WASH champions at each site.

We used the WBCSD self-assessment tool to examine access to WASH services among more than 3500 direct employees. All our factories and some distribution centres satisfactorily met the Pledge's compliance level, and



improvement plans were established in some instances. And while performance in the other facilities was 'good', an action plan was developed to address issues related to employee behaviour and sanitation routines.

### WASH across our value chain

At some factories, surveys helped us understand employees' access to safe water and adequate sanitation beyond the factory gates. After such an assessment, the Maggi factory in Antigua, Guatemala, financed eco-filters to ensure safe drinking water in workers' homes, while the Nestlé dairy factory in Matagalpa, Nicaragua, created a WASH committee to promote water conservation within the community.

Through a workshop, we encouraged 30 strategic suppliers to use the self-assessment tool and implement the WASH commitments in their workplaces. And, in collaboration with our Factory Agriculture Services team, our WASH champions in Nicaragua and Panama used the self-assessment tool to analyse the water, sanitation and hygiene conditions in four



farmers' houses, informing future projects to improve our suppliers' quality of life and raise their environmental performance.

We plan to continue these activities, and reassess our workplace WASH services, during 2016.

## Collaborating with expert partners

### Our objective

- **By 2016** – 350 000 beneficiaries in local communities will have access to water, sanitation or hygiene projects around our manufacturing facilities and in Farmer Connect areas.

By the end of 2015, almost 440 000 beneficiaries in local communities had access to water, sanitation and hygiene projects around our manufacturing facilities and in Farmer Connect areas. Having reached our 2016 target early, we have continued to monitor our performance and will use this progress to help set a new objective next year.

The Millennium Development Goal (MDG) target of halving the number of people without access to safe drinking water by 2015 has been met, yet the parallel goal to halve the number of people without access to basic sanitation has not. Access to sanitation remains a significant challenge for many countries: an estimated 2.4 billion people still lack adequate sanitation facilities, contributing to almost 90% of child deaths from diarrhoeal diseases.

This is not an acceptable situation, and organisations such as the [International Federation of Red Cross and Red Crescent Societies \(IFRC\)](#) are working hard to provide equitable, affordable and sustainable solutions to improve the health and quality of life of vulnerable communities.

### The International Federation of Red Cross and Red Crescent Societies

Nestlé became the IFRC's first corporate partner in Africa in 2002 and, in 2014, we renewed our partnership, committing CHF 5 million over five years to the organisation. Of our country offices 16<sup>8</sup> now engage directly with Red Cross/Red Crescent national societies either to donate blood, provide products or water to refugees or natural disaster victims, or roll out WASH initiatives for communities living around the areas where Nestlé operates.

Over the years of our collaboration, we have increasingly focused on improving access to clean water, sanitation and hygiene in rural communities, such as the cocoa-growing regions of Côte d'Ivoire. Here, a programme of activities was introduced to improve health and hygiene awareness among vulnerable groups, including schoolchildren, teachers and local community members. Around 228 861 people in Côte d'Ivoire have now benefited from the initiative, which includes the monitoring and improvement of water quality and water infrastructure, the provision or renovation of sanitation facilities, and the raising of awareness through hygiene awareness programmes in villages and schools.

Our efforts to improve water access and hygiene are also ongoing in neighbouring Ghana, where improved sanitation is available to a very small proportion of the population. The partnership plans to improve access to sustainable WASH services for 90 000 beneficiaries (84 community and school sites) over four years in rural areas.

<sup>8</sup> Bangladesh, Canada, China, Côte d'Ivoire, Germany, Ghana, Greece, Japan, Mexico, Norway, Panama, the Philippines, Russia, Spain, Thailand and USA.

## The Global Water and Sanitation Initiative

The IFRC delivers developmental projects to increase the access to water, sanitation and hygiene for all under the framework of its Global Water and Sanitation Initiative (GWSI). The GWSI promotes a common but adaptable approach, enabling 104 national societies in 80 countries to implement 476 sustainable water and sanitation programmes that contribute towards achieving the new [Sustainable Development Goals \(SDGs\)](#).

To date, the GWSI has provided 15 million people with water and sanitation services between 2005 and 2015, and aims to reach a further 15 million people by 2025. It has also:

- Given more than 9.5 million people access to safe drinking water;
- Provided more than 5.5 million with access to an improved toilet; and
- Reached more than 6.5 million people with hygiene promotion activities and campaigns.

### Nestlé's direct support to GWSI since 2005 (Côte d'Ivoire and Mozambique)

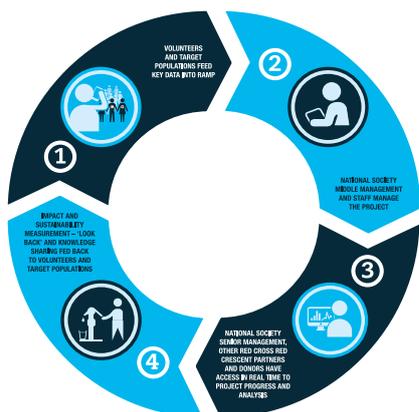
171 water points built or re-established
7075 toilets built (households)
93 toilet blocks built in schools
8 public toilet blocks built (urban context)
209646 people reached through educational sessions
103990 people benefiting from drinking water points
77975 people benefiting from sanitation solutions
80000 schoolchildren reached

## RAMPing up our support

Nestlé also supports the GWSI indirectly through joint activities in international forums, internal coordination and management meetings and activities, and the launch of key publications.

We are currently supporting the rapid mobile phone-based (RAMP) system in Côte d'Ivoire. Mobile technology and online platforms have become increasingly applicable to both humanitarian and developmental efforts in recent years, and the IFRC's RAMP system is being adapted and tested to meet the needs of GWSI projects.

RAMP gives users real-time access to data, and provides quick analysis, visualisation and mapping tools. It has helped programme managers by increasing transparency and providing a platform for improved knowledge sharing.



## Supporting water education

### Project WET

We have worked with Project WET (Water Education for Teachers), a global water education organisation based in the United States, for more than 20 years. In 2015, we renewed our partnership for another four years, cementing our commitment to educating future generations about water.

The [Project WET Foundation](#) is an independent, widely respected and science-based non-profit organisation that develops effective, hands-on learning tools and activities about water, hydration and conservation for teachers and other educators. Today, Project WET works with corporate, NGO and government partners in more than 70 countries, and is expected to have reached 30 000 teachers and more than 2 million children in 2015.



### The Green Ribbon programme, Argentina

Nestlé Waters' local brand *Eco de los Andes* raises awareness of water conservation in schools through the Green Ribbon programme, reaching 40 schools and more than 16 000 children across Argentina since 2012.

The project aims to strengthen our commitment to environmental sustainability, in partnership with Project WET, the Asociación de Amigos de la Patagonia and the municipalities of Moreno and Tunuyan. Through the programme, children aged 10 to 13 at schools near our factories learn about conserving water and reducing waste and energy through Project WET activities.

The Argentine Ministry of Education has recognised the programme's value as an educational tool. Their support has allowed the project to train 302 teachers and educate 9898 schoolchildren in 2015. Throughout the year, employee volunteers from our Tunuyan factory visit the schools and support the teachers in rolling out the information during their classes.

Nearly all Nestlé Waters markets engage with Project WET through a range of community and national programmes and events. During the year, we focused on extending our reach through activities in Pakistan, Nigeria and China (see below and overleaf), as well as Switzerland, Mexico, Egypt, Argentina and the Middle East.

- Nestlé Pakistan launched Project WET in August 2015, marked by training sessions with partner institutions in Islamabad. Teachers are provided with a Project WET guide and a training kit, and learn how important water is for the human body and for planet Earth. By the end of 2015, about 5000 children and 100 teachers had been taught how to use water responsibly. Nestlé Pakistan aims to educate 20 000 children in 2016 through teachers and Project WET activities.

- Since 2013, Project WET materials in Nigeria have been introduced in an increasing number of local communities. In fewer than three years, Project WET activities and materials have reached 438 teachers and educators, 140 schools and more than 7000 students in Lagos, Osun and Abaji states. Project WET was recognised with the 'Support Our Schools Initiative' granted by the Governor of Lagos State. ([Watch a video](#) of Project WET activities in Nigeria.)
- Nestlé Waters launched a Project WET pilot in Shanghai, China, in January 2010 and over the following years, new partnerships with various educational institutions, schools and local NGOs have helped roll out Project WET modules. During 2015, 10 workshops reached 485 teachers and 293000 students, 56 factory visits saw over 3000 students attend, and 20 school visits directly benefited 8000 students. Today, Project WET activities in China have reached more than 800 schools, 1840 teachers and more than 800000 students in schools in 14 cities and provinces.

Enabling Nestlé Waters to strengthen relations with communities, key authorities, health ministries and NGOs in its markets, as well as reinforce employee engagement, the Project WET curriculum continues to be used for World Water Day events (see below). It also helps raise awareness about healthy hydration as an integral part of the Nestlé [Healthy Kids Programme](#).



Two decades of support from Nestlé Waters have allowed us to reach people and places that we could not have without its partnership. Getting our objective, science-based water education resources and training into the world helps build water literacy and instil a water stewardship ethic among people of all ages and nationalities."

**Dennis Nelson, CEO, Project WET Foundation**

## World Water Day

Since 2010, Nestlé Waters employees have celebrated [World Water Day](#), a global annual event organised by the UN to promote the importance of water. On 22 March each year, we invite local schools and community members to take part in fun, interactive events at our factories and nearby locations. We collaborate closely with our long-term partner Project WET, whose curriculum is central to the content of these events.

In 2015, the sixth year we have celebrated World Water Day, more than 1000 Nestlé Waters employees helped educate close to 25000 children in 30 countries.

## Let's Plant Water: a reforestation programme in Ecuador



The highlands and forests of Ecuador are under constant threat from human activity, as local populations are forced to farm higher up, on poor quality land prone to erosion. Large areas of forest are cleared for grazing and other agricultural purposes; most trees are not replaced or invasive species of tree are planted, and this removal of the tree canopy has a significant impact on water availability and ecosystem diversity.

Through the Let's Plant Water programme, Nestlé seeks to educate and reforest. As part of its educational component, Nestlé signed a cooperation agreement in 2014 with the Quito Botanical Garden to spread its water conservation education programme to 10000 children.

Let's Plant Water also works to reforest areas near water using native tree species, in collaboration with neighbouring communities, civil society bodies and public institutions. Since 2011, 108950 native trees have been planted in areas close to water, with the active participation of Nestlé volunteers, neighbouring communities and local scout groups.

We hope to expand the programme with a 100% increase in reforestation, planting 180000 native trees and educating 30000 children about the environment by 2018.

## Nestlé Waters Community Relations programme

Nestlé Waters launched a Community Relations Programme (CRP) four years ago, which has since been implemented at around 30 priority sites around the world. Creating Shared Value is at the heart of this process, with a focus on driving the socio-economic well-being of the communities where we operate, as well as our long-term social licence to operate in those communities.

Our experience during this time has informed the development of the CRP 2.0, which is built on a stronger methodology and a unique tool available to all our sites. The self-service tool will guide factory managers in deploying the process and will help ensure alignment with the overall process. CRP 2.0 is made up of a number of steps, including:

- Identifying and classifying local stakeholders;
- Interviews with internal and external stakeholders to assess real and perceived concerns and expectations, which are then compared to identify gaps; and
- The construction and tracking of engagement and action plans to address those gaps.

The effectiveness of the CRP 2.0 process will be measured on a regular basis by a local acceptability index. All of Nestlé Waters' sites will have started the implementation of this revised process by the end of 2016.

## Youth Water Guardian, Thailand

In line with its commitment to educating and raising awareness about water conservation among children, Nestlé Waters Thailand and Nestlé Indochina participate in the World Wide Fund for Nature's Youth Water Guardian programme, which helps schools integrate water conservation into the curriculum.

The WWF programme was launched in January 2015, and 20 schools in the Ayutthaya province applied to join by submitting their projects. Fifteen schools were selected to join the Youth Camp, where they received training on water knowledge and conservation, and eight were selected for their projects' potential and how they connect to their local community. The schools received funding and support to develop their conservation projects. At the end of the year, the schools presented what they had achieved with regards to water conservation, and the best three were awarded prizes for their work.

The programme is supported by central and provincial government officials from the Groundwater Resources Department and the Department of Education Innovation, while Nestlé and Nestlé Waters provide financial support and water stewardship advice.

## Project Green, Jordan

At Nestlé Waters, we recognise our responsibility to contribute to the sustainable development of the local communities in which we operate. In Jordan, we have built two greenhouses close to our factory in Al Husseinieh to use excess water from the production process to irrigate fruit and vegetables. Project Green also provides employment opportunities for local women, who plant, harvest and sell the produce. The project has been developed in collaboration with Q-Perspective Consultancy, a Jordanian management consulting firm, which helps administer the programme.



## Beyond coastal clean-ups: a call for collective action in the United States

Nestlé Waters North America is committed to increasing recycling rates and the responsible management of water sources, but recognises that plastic caps and bottles are not always being recycled and are often collected at coastal clean-up events. We began sponsoring a series of clean-ups through our regional springwater brands. We quickly realised that the best clean-up is the one that doesn't have to take place. So, as well as removing rubbish, debris and pollutants from shores and waterways across the country, we work with partners who collect and analyse data to inform the development of strategies that can prevent debris from getting there in the first place.

Recent efforts include those along the Hillsborough River in Florida, which supplies water to the Tampa Bay area, sustains a diverse ecosystem and serves as a recreation source.

It is also fed by the source of our *Zephyrhills*® Natural Spring Water brand, so we have a major stake in improving the health of the river and creating shared value in the local communities. As part of the brand's 50<sup>th</sup> anniversary, *Zephyrhills*® team members joined thousands of volunteers for a series of river clean-ups and watershed education activities in the Hillsborough River watershed.

Researchers from the University of Florida assessed and shared the results of recent and historical clean-up events in the watershed with local stakeholders, leading to the establishment of the Hillsborough River Trash Free Waters Partnership. Through this model for coordinated local action at the catchment level, we have engaged thousands of residents and removed litter from 70 sites. We have also worked with partners at Keep Tampa Bay Beautiful to advance local ambitions for a waste-free waterway. Local municipalities and educational institutions are signing up to join this partnership to advance strategies to prevent debris from getting into the waterway to begin with.

## Water for emergencies

When a natural disaster occurs or when water sources and distribution systems are temporarily unavailable, providing access to safe drinking water becomes a health priority and bottled water can play a vital role. We have a long history of helping local communities after natural disasters such as hurricanes and big storms, trucking in bottled water using our own milk tankers for deliveries or providing ready-to-use water-filling stations at our factories.

A strong earthquake hit Nepal at the end of April 2015, followed by many powerful aftershocks. The earthquakes caused extensive damage to buildings, and thousands of deaths and injuries were reported in neighbouring Pakistan, India and Bangladesh;

- Nestlé is one of four companies agreeing to donate up to 6.5 million bottles of water to meet the needs of more than 10 000 schoolchildren in crisis-hit Flint, Michigan. Tap water in the US town became contaminated with lead during the construction of a pipeline under a nearby lake; and
- In Texas, record rainfall caused major flooding in May 2015. Nestlé Waters North America provided 152 000 bottles of water via the American Red Cross.

We also support healthy hydration by donating bottled water to those in need during heatwaves:

- Nestlé Waters Canada donated 300 000 bottles of water to Engage and Change's 2015 Project Water initiative, to be distributed among those living on the streets of Toronto at risk from dehydration during the summer months. Since 2006, we have donated more than 2.1 million bottles of water to the organisation;
- In Pakistan, the summer heatwave in Sindh caused more than 1000 fatalities and around 40 000 people are estimated to have suffered from heatstroke. In June 2015, Nestlé Pakistan donated 80 000 litres of water, to be distributed across Karachi by the National Disaster Management Authority; and
- During the heatwave in France during the summer of 2015, a consignment of 30 000 bottles of water was donated to the Samusocial on behalf of the French Federation of Bottled Waters, of which Nestlé Waters is the president.

## Helping consumers use less water

Through product packaging and brand websites, we provide consumers with meaningful and accurate environmental information about how simple changes in behaviour can reduce water use when preparing our products.

On the [UK Nescafé website](#), for example, we provide consumers with top tips for responsible consumption, such as preparing the right quantity of coffee to avoid waste and using refill packs to minimise the need for glass jars. The site also offers advice for saving energy and water, including only boiling as much water as is needed, and completely filling the dishwasher before using it.

Our own employees are consumers too, and the internal campaign 'I'm doing it' encourages our staff around the world to recycle water bottles.



**Read about [recycling](#), [reducing waste](#) and [sustainable consumption](#) in the Environmental Sustainability section.**

# Environmental sustainability

Environmental sustainability means protecting the future by making the right choices in a world where water is increasingly scarce, natural resources are constrained and biodiversity is declining, and where climate change may exacerbate these challenges. Our goal is that Nestlé's products are to be not only tastier and healthier but also better for the environment along their value chain. In this chapter, we outline how we are striving to protect the future of the world around us, by using sustainably managed and renewable resources, operating as efficiently as we can and working towards our goal of zero waste.



1st

We retained our industry-leading position in the 'environmental dimension' of the Dow Jones Sustainability Index Series, with a score of 99 out of 100.



58 284 tonnes

Amount of packaging material avoided.



42.7%

Reduction in direct GHG emissions per tonne of product versus 2005.



CHF 289 million

Invested in replacing synthetic refrigerants with natural alternatives in our industrial refrigeration systems.



Please see the [Water chapter](#) for more information on our efforts to manage, conserve and improve access to water.

## In this chapter

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## Our role in environmental sustainability

As an essential prerequisite for Creating Shared Value, we have to not only comply with all applicable legal requirements and the Nestlé *Corporate Business Principles* but also ensure that the principle of sustainability is embedded in all of our activities, brands and products. This is particularly important in an environment where water is increasingly scarce, natural resources are constrained and biodiversity is declining. All of these elements are vital for feeding a growing world population and for the development of Nestlé. Moreover, climate change may exacerbate our planet's environmental challenges.

As stated in The Nestlé Policy on Environmental Sustainability, we are committed to environmentally sustainable business practices at all stages of the product life cycle. This means making the right choices to protect the future, by using sustainably managed and renewable resources where we can, improving resource efficiency in our operations and continuing to work towards our target of zero waste. We also seek to provide climate change leadership, preserve natural capital, and provide meaningful and accurate environmental information. To help us assess and optimise the environmental performance of our products and their packaging, we apply a product life-cycle approach, involving our partners, from farm to consumer and beyond.

### The year in brief

#### Challenges

The global scale of the challenge is such that **climate change leadership** requires broad-based commitment and collaborative effort.

Per the UNEP, an estimated 11.2 billion metric tonnes of solid waste are currently being collected around the world every year, and the decay of the organic portion is contributing around 5% of global greenhouse gas emissions (GHG).

We need to continually **optimise our packaging designs** if we are to save material and avoid food wastage.

**Consumer engagement** is a challenge as environmental sustainability is a complex topic to explain to non-specialists.

#### Actions

Nestlé supports a number of **multi-stakeholder initiatives**, including the Paris Pledge for Action, welcoming the adoption of a new, universal climate agreement at COP 21 in Paris, Caring for Climate, and the American Business Act on Climate pledge.

Our **Zero Waste for Disposal Guideline** helps all Nestlé sites prevent, reuse and recover waste for disposal and by-products.

We use **ecodesign tools** to assess the overall environmental performance of products and packaging throughout its life cycle.

**Going beyond the label**, we are rolling out QR codes across our product portfolio, linking consumers to mobile-friendly websites that provide additional, user-friendly content on environmental issues.

#### Achievements

**1st**

Nestlé's position in the CDP's prestigious Climate A List, with a score of 100 out of 100 in the Climate Disclosure Leadership Index.

**105**

Number of Nestlé sites that achieved zero waste for disposal.

**6 174**

Projects assessed using our ecodesign tools

**119**

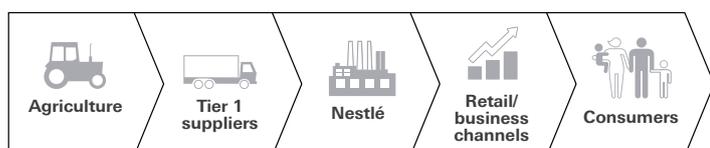
Countries where fact-based environmental information is accessible to consumers.

## Material issues

Nestlé uses a formal [materiality process](#) to identify the most important issues for our stakeholders and our business. The results are communicated in a [materiality matrix](#).

Our material issues are also considered and mapped with regard to their degree of importance in different parts of the Nestlé value chain. In the value chain, 'Agriculture' includes smallholder farmers with whom we do not have direct relationships and 'Tier 1 suppliers' refers to those suppliers in direct commercial relationships with Nestlé.

### The Nestlé value chain



Each material issue is made up of a number of sub-issues, which are highlighted during the research process. They are used as a lens to help define the scope of analysis. In this section, we have provided a synthesis of the findings related to environmental sustainability.

Four material issues – and a number of specific sub-issues – that fall under the banner of environmental sustainability were rated as being of concern to our stakeholders and of strategic importance to our business. They spanned **climate change**; **natural capital**, including biodiversity, deforestation and soil fertility; **resource efficiency and waste**, including energy consumption, land use, littering and the environmental impacts associated with our manufacturing operations and packaging; and **food waste**.

Mitigating climate change is a primary concern of our stakeholders and, for many, managing the impacts on agriculture is a particular focus. Our stakeholders are advancing concerted multi-stakeholder efforts to protect natural capital, reduce resource consumption and enable solutions linked to the circular economy.

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/business channels	Consumers
<b>Resource efficiency and waste</b>					
<p>Improving the direct and indirect use of resources, reducing waste and optimising opportunities for recovery, reuse or recycling of by-products, and disposing of waste appropriately.</p> <p><b>Sub-issues defined</b> Resource efficiency and waste combines packaging, manufacturing and transport and distribution that were distinct issues in the 2013 matrix.</p> <ul style="list-style-type: none"> <li>• <b>Consumer behaviour:</b> informing consumers about the environmental performance of products to raise awareness and foster more resource-efficient behaviours.</li> <li>• <b>Energy consumption:</b> direct and indirect energy use; composition of energy supply and efficiency measures.</li> <li>• <b>Land use:</b> managing the arrangements, activities and inputs undertaken to produce, change or maintain land.</li> <li>• <b>Littering:</b> reducing pollution of the environment from packaging and waste products discarded without consent in land and water.</li> <li>• <b>Manufacturing environmental impacts:</b> improving the environmental performance (e.g. air and water pollution) of the production process.</li> <li>• <b>Packaging:</b> optimising packaging design and materials, considering product and packaging performance across the life cycle.</li> <li>• <b>Transport and distribution:</b> improving the environmental impacts of transport and distribution.</li> </ul>	●	●	●	●	●

Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, Compliance G4-DMA (Environmental), Transport G4-DMA, Overall G4-DMA, Supplier environmental assessment G4-DMA, Environmental grievance mechanisms G4-DMA

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/ business channels	Consumers
<b>Food waste</b>					
Avoiding food waste and losses along the value chain, including consumer and post-consumer use, distribution, manufacturing and agriculture.	●	●	●	●	●
<b>Climate change</b>					
Reducing GHG emissions and contributing to the mitigation of, and adaptation to, the effects of climate change.	●	●	●	●	●
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>● <b>Climate change adaptation:</b> efforts undertaken to adapt to the foreseen effects of climate change on the value chain.</li> <li>● <b>Climate change mitigation:</b> efforts undertaken to reduce the release of GHGs, including energy-efficiency efforts, switching to cleaner fuels, renewable energy, etc.</li> </ul>					
<b>Natural capital</b>					
Identifying and preserving elements of ecosystem services that generate value, both directly and indirectly.	●	●	●	●	●
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>● <b>Biodiversity:</b> valuing natural habitats, ecosystems and the services they offer.</li> <li>● <b>Deforestation:</b> addressing the consequences of clearing forest for non-forest use.</li> <li>● <b>Soil fertility:</b> using soil in the production of inputs in a productive and sustainable manner.</li> </ul>					

## Our commitments

In [Nestlé's Corporate Business Principles](#), which lay the foundations for everything we do, we commit ourselves to environmentally sustainable business practices. At all stages of the product life cycle, we strive to use natural resources efficiently, favour the use of sustainably managed renewable resources and target zero waste. We also seek to strengthen our ability to meet our commitments by providing our employees with [training and education on environmental sustainability](#).

Our public commitments to environmental sustainability have recently been updated to better reflect the material issues of our business. The revised commitments, which include a new commitment, are as follows:

- Improve resource efficiency in our operations;
- Improve the environmental performance of our packaging;

- Assess and optimise the environmental performance of our products;
- Provide climate change leadership;
- Preserve natural capital, including forests;
- Provide meaningful and accurate environmental information and dialogue; and
- Promote transparency and proactive, long-term engagement in climate policy.

Our progress against the commitment objectives is indicated throughout the chapter using the following icons:

- Achieved
- ◐ In progress
- ◑ Not yet achieved
- ⊕ New objective

 [View our water stewardship commitments](#) here.

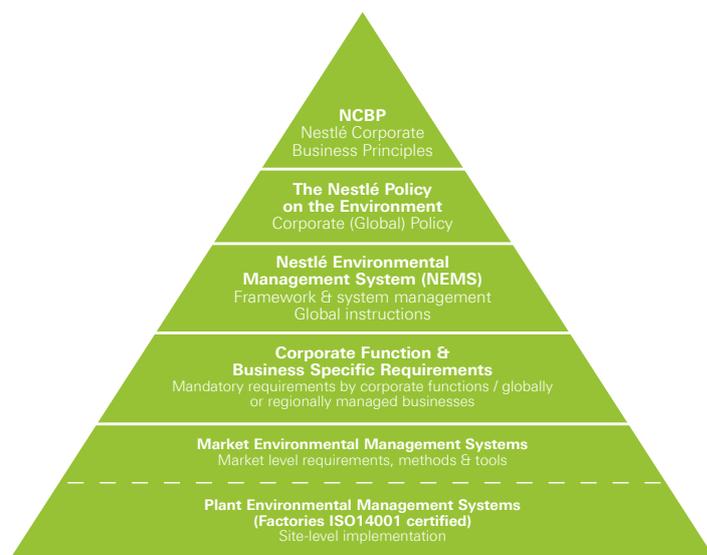
## Governance and management systems

The strategic implementation of Creating Shared Value across all Nestlé businesses is overseen by the Nestlé in Society Board, chaired by the CEO; management is accountable for implementing our Environmental Management System across the business.



The Board of Directors and the Executive Board are assisted by a number of governance bodies with responsibility for environmental sustainability, including:

- **Board of Directors' Audit Committee** – assists the Board of Directors in fulfilling its responsibilities with respect to accounting and financial reporting, the internal and external audit processes, and its overview of the risk management processes;
- **Operations Sustainability Council** – ensures the integration of sustainability throughout the company;
- **Nestlé Water Task Force** – helps our corporate functions and markets to execute Nestlé's commitments;
- **Brands and Creating Shared Value Advisory Team** – guides the effective communication of initiatives to consumers; and
- **R&D Council for Sustainability and Nutrition** – ensures the implementation of Sustainability by Design across the research and development (R&D) organisation.



## Our policies and standards

The [Nestlé Policy on Environmental Sustainability](#) contains our CEO's commitment to environmentally sustainable business practices. Originally launched in 1991, it was reissued in 2013 and covers our product life-cycle approach across the Nestlé value chain – from farm to consumer and beyond. It identifies six focus areas: water preservation; natural resources efficiency; biodiversity conservation; air emissions reduction; climate change adaptation; and zero waste.

The policy incorporates the United Nations Global Compact (UNGC) [environmental principles](#), which state that businesses should: support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of technologies with a better environmental performance.

The policy is complemented by more detailed commitments on key environmental issues, including:

- [The Nestlé Commitment on Climate Change](#);
- [The Nestlé Commitment on Biofuels](#);
- [The Nestlé Commitment on Water Stewardship](#);
- [The Nestlé Commitment on Natural Capital](#);
- [The Nestlé Commitment to reduce food loss and waste](#); and
- [The Nestlé Commitment on Deforestation and Forest Stewardship](#).

## Strategic masterplanning

Led by a team of representatives from across the business, who oversee the implementation of The Nestlé Policy on Environmental Sustainability, improve transparency and avoid duplication of effort, we have updated our environmental sustainability strategic master plan.

In 2015, we held two strategic masterplanning workshops at our headquarters in Vevey to create a roadmap for implementation through to 2018. Our latest public [commitments and objectives](#) on environmental sustainability for this report were agreed at these workshops.

## The environmental roadmap in Brazil



Increasing our efficiency and improving the environmental performance of our activities helps us manufacture more products using fewer natural resources, but every part of Nestlé needs to play its part. Each business, across all regions, is expected to demonstrate how it is improving its own environmental performance to contribute to our corporate objectives. Aligned with Nestlé's corporate goals, an action plan has been created for each factory across the country.

As part of the roadmap, Nestlé Brazil's action plan has been in place since 2013. It gives the company a clear understanding about its national objectives and the investment necessary to achieve its 2020 goals. In the first two years after the roadmap was created, at least two water-saving projects and two energy-reduction projects have been instigated at each factory, supported by a wide range of business units and functions.

Water savings	Number of projects	Water saved
<b>2015</b>	<b>93</b>	<b>242 315 m<sup>3</sup></b>
2014	88	186 793 m <sup>3</sup>
2013	68	253 836 m <sup>3</sup>

Energy savings	Number of projects	Energy saved
<b>2015</b>	<b>126</b>	<b>142 969 GJ</b>
2014	110	173 953 GJ
2013	96	143 523 GJ

By 2015, although Nestlé Brazil increased production volume from 2014 levels by 8.8%, its water consumption fell by 19.2% and energy use reduced by 6.4%; during the same period, direct greenhouse gas (GHG) emissions reduced by 17.6% and waste for disposal was cut by 78%.

Going forward, our priorities are to implement all projects on the roadmap, continue to refine objectives and targets to improve our environmental performance, and communicate with employees, consumers and other stakeholders when applicable.

## Multi-stakeholder engagement

At a local, regional and global level, we proactively engage with stakeholders and foster long-term partnerships to define, implement and evaluate solutions to the complex environmental challenges we face. Some examples are outlined below.

- **Caring for Climate** – as part of UNGC LEAD we actively support this initiative. In 2015, we participated at several high-profile events organised around Global Compact +15 on business commitment to furthering climate change action. [Read more.](#)
- **Consumer Goods Forum (CGF)** – our Chief Executive Officer, Paul Bulcke, sits on the board of directors of the [CGF](#), a global industry network that brings together leaders and senior management from more than 400 retailers, manufacturers, service providers and other stakeholders across 70 countries. We are an active member of the CGF's Sustainability Steering Committee, developing action plans

to help achieve zero net deforestation by 2020, and mobilising resources to begin phasing out hydrofluorocarbon (HFC) refrigerants and replace them with natural refrigerant alternatives when purchasing point-of-sale units and large refrigeration installations. In June 2015, the board of the CGF endorsed a new resolution on food waste reduction, developed under Nestlé leadership;

- **The European Food Sustainable Consumption and Production Roundtable** – together with the European Commission, we co-chair the steering committee that advises on the food chain. We support the ENVIFOOD Protocol, a methodology for assessing the environmental performance of food, feed and drinks, and actively support the European Commission's Product Environmental Footprint Category Rules initiative, by participating in three pilot projects covering bottled water, coffee and pet food (see [The environmental life cycle of products](#));
- **FoodDrinkEurope Environmental Sustainability Committee** – chaired by Nestlé, the committee represents the European food and drink industry and has launched 'A Time to Act: Europe's food and drink industry shows action to address climate change' under Nestlé guidance;
- **United Nations 10-Year Framework Programme on Sustainable Food Systems** – we are a member of the Multi-Stakeholder Advisory Committee, representing the private sector to develop measurement, communications and accelerate sustainable production and consumption;
- **United Nations Framework Convention on Climate Change (UNFCCC)** – we are a partner of the Adaptation Private Sector Initiative, which shares innovative solutions to [climate change](#) adaptation. During 2015, we provided different case studies on climate change adaptation;
- **Climate Disclosure Standards Board (CDSB)** – a Nestlé representative is a member of the CDSB's technical working group and represents our commitment to disclose [climate change](#) information in conformance with the CDSB's framework;
- **The University of Cambridge Institute for Sustainability Leadership** – we are members of the Natural Capital Leaders Platform, which has a range of activities for measuring and valuing natural capital. During 2015, we participated in a project on measuring natural capital in the dairy sector;
- **World Resources Institute (WRI)** – on behalf of the CGF, we are a member of the steering committee of the WRI Food Loss & Waste Protocol. In 2015, we piloted the draft WRI Food Loss & Waste Protocol in the dairy value chain in Pakistan;
- **World Business Council for Sustainable Development (WBCSD)** – we are an active member of the WBCSD, participating in its work on redefining value, water and social issues; and
- **World Economic Forum** – we are a member of the Global Agenda Council on Food & Nutrition Security, which aims to promote a step-change in sustainable food and agriculture systems.

We also collaborate with organisations such as the 2030 Water Resources Group and the WBCSD on a range of [water, sanitation and hygiene-related issues](#).

## The Nestlé Environmental Management System

The Nestlé Policy on Environmental Sustainability is implemented through the Nestlé Environmental Management System (NEMS). The system is designed to improve environmental performance, help ensure compliance with all relevant requirements and enable our sites to achieve ISO 14001:2004 certification. Management is accountable for its implementation within their area of responsibility.

### ISO 14001:2004 certification

To ensure consistent and coherent implementation around the world, all our sites use NEMS, which conforms to ISO 14001:2004 – an internationally recognised standard for environmental management.

We aim to maintain ISO 14001:2004 certification at all our factories, and apply for certification through independent accredited bodies. We have extended our ISO 14001:2004 certifications to major distribution centres, R&D locations and offices and, by the end of 2015, 626 Nestlé sites were certified, as outlined below.

ISO 14001:2004 certification	2013	2014	2015
Total sites*	601	621	<b>626</b>
Manufacturing sites**	446	447	<b>437</b>
Distribution facilities	130	122	<b>120</b>
R&D centres	25	26	<b>28</b>
Offices	n/a	26	<b>41</b>

\* Includes factories, R&D locations, distribution centres and offices. The 2013 figure does not include offices.

\*\* As per our internal policy, 100% of Nestlé factories present and active in the Group for more than three years are ISO 14001 certified.

### Monitoring and auditing

We monitor and report our environmental performance at a factory level using SHE-PM (Safety, Health and Environmental Sustainability – Performance Management) – see [definitions and comments on environmental performance indicators](#).

Our processes for reporting and managing incidents are set out in detail in NEMS. Any major incidents relating to [safety](#), [health](#) or environmental sustainability are reported to the appropriate senior management within 24 hours. An investigation is initiated immediately and, in the case of major incidents involving our sites or employees, is overseen by the relevant senior functional manager.

We also report fines following site inspections or a review of permits. In 2015, we incurred CHF 80000 of environmental fines.

More detailed reporting on environmental incidents can be found in [our response](#) to the CDP water programme (see pages [95–96](#)).

#### Total cost of environmental fines

2015	CHF 80000
2014	CHF 75000
2013	CHF 110000

## Nestlé Environmental Management System (NEMS)

### Management review

### Checking

- Monitoring and measurement
- Evaluation of compliance
- Non-conformity, corrective action and preventive action
- Control of records
- Internal audit

### Implementation and operation

- Resources, roles, responsibility and authority
- Competence, training and awareness
- Communication
- Documentation
- Control of documents
- Operational control
- Emergency preparedness and response



General requirements

Environmental policy

### Planning

- Environmental aspects
- Legal and other requirements
- Objectives, targets and programme(s)

### Training our employees

We are committed to environmental awareness training and education for our employees, alongside effective communication with them, and recognition of their initiatives and achievements towards environmental improvement.

To strengthen our ability to meet our commitments, we ran environmental awareness training sessions in 89 countries in 2015, and plan to extend this to all countries of operation by 2016. During the year, more than 4000 Nestlé employees around the world undertook the Environmental Sustainability at Nestlé e-learning course, to enhance their knowledge and learn how to apply environmentally sustainable business practices.

During 2015, we delivered 16 sessions of the Nestlé Environmental Sustainability Leadership workshop, 'We make Nestlé resourceful', to 245 employees in Australia, Brazil, China, Dubai, Malaysia, Mexico, Panama, the Philippines, Spain, Switzerland, the United Kingdom, the United States and Venezuela. We also continued deploying our train-the-trainers plan to assist in the wider reach of this workshop across our markets.

Additionally, senior managers had the opportunity to attend the Prince of Wales's Business & Sustainability Programme at Cambridge University.

 **Learn more** about employee training in [Our people](#).

### Sharing our progress

Nestlé's strong policies, continuous improvement and transparent reporting in the area of environmental sustainability are being reflected in external recognition, as outlined below.

- As in 2014, we again achieved an industry-leading score of 99 out of 100 in the 'environmental dimension' of the 2015 [Dow Jones Sustainability Index](#) (DJSI). The environmental section of the index is based on an analysis of companies' performance in areas including environmental management, environmental reporting, climate strategy, water risk, packaging, genetically modified organisms, raw material sourcing and eco-efficiency; and
- In November 2015, we received a Climate Change Award from the environmental sustainability ratings agency CDP, having achieved the maximum score of 100 A in the Climate Disclosure Leadership Index. The CDP indices measure how more than 4700 companies incorporate climate change into their business plans, monitor emissions, report transparently and act to mitigate impacts. Our score makes us one of only 64 companies on the [Climate A List](#), which recognises companies that are leading the way with their actions to reduce emissions and mitigate climate change.

We also received [recognition](#) for our efforts to manage water use and mitigate water risks.

### Environmental sustainability at Nestlé

#### Overall we are delivering in key areas

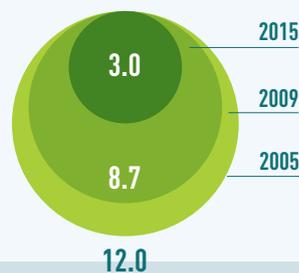
## WASTE

105 factories worldwide have achieved

**Zero waste for disposal**

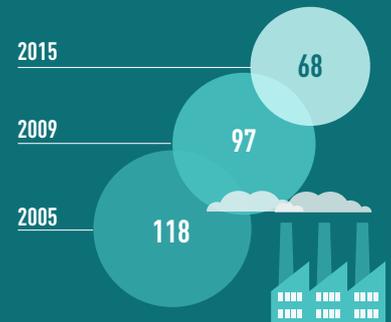


Waste for disposal (kg per tonne of product)



#### But using resources more efficiently

Direct greenhouse gas emissions per tonne of product (kg CO<sub>2</sub>)



Total production volume (million tonnes)

**54.6**

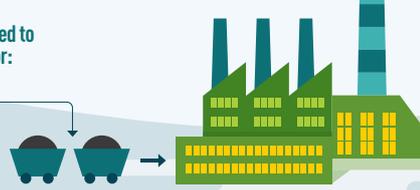


2015

## RENEWABLE ENERGY

Spent coffee grounds being used to power our factories account for:

**21.4%** of our renewable energy use



% of on-site energy consumption from renewable sources



## Summary of 2015 consolidated Nestlé environmental performance indicators

Our key performance indicators help measure our progress and demonstrate compliance. They are aligned with our Creating Shared Value commitments and the external schemes we report against, including the GRI G4 guidelines and indicators. To assist our stakeholders, we have provided a summary table below that lists selected environmental KPIs against their associated GRI G4 indicators.

Key performance indicators for environmental sustainability	GRI	2014	2015
<b>Production volume</b>			
Total production volume (million tonnes)	n/a	53.7	54.6
<b>Materials</b>			
Materials used by weight (million tonnes)	G4-EN1	31.4	30.3
Raw materials used (million tonnes)	G4-EN1	25.8	25.5
Materials for packaging purposes (million tonnes)	G4-EN1	5.6	5.3
Packaging source optimisation (kilotonnes saved)	n/a	45.8	58.53
Renewable packaging materials (% of materials for packaging purposes)	G4-EN1	39.6	38.3
Total % of recycled materials in our packaging	G4-EN2	26.8	28.1
<b>Energy</b>			
Total on-site energy consumption (petajoules) <sup>1</sup>	n/a	96.8	93.8
Total on-site energy consumption (gigajoules per tonne of product) <sup>1</sup>	n/a	1.81	1.72
Total on-site energy consumption from renewable sources (% of total energy consumption)	G4-EN3	14.7	15.4
Total direct energy consumption (petajoules) <sup>1</sup>	G4-EN3	66.5	63.8
Total direct energy consumption from renewable sources (% of total direct energy consumption) <sup>2</sup>	G4-EN3	11.3	11.8
Total indirect energy consumption (petajoules)	G4-EN4	81.1	80.7
<b>Biodiversity</b>			
Total size of manufacturing sites located in protected areas (hectares)	G4-EN11	18.8	18.8
<b>Emissions, effluents and waste</b>			
Direct GHG emissions (million tonnes CO <sub>2</sub> eq) <sup>1</sup>	G4-EN15	3.9	3.7
Direct GHG emissions (kg CO <sub>2</sub> eq per tonne of product) <sup>1</sup>	G4-EN15	73	68
Indirect GHG emissions (million tonnes CO <sub>2</sub> eq)	G4-EN16	3.8	3.7
Indirect GHG emissions (kg CO <sub>2</sub> eq per tonne of product)	G4-EN16	71	68
Total water discharge (million m <sup>3</sup> )	G4-EN22	87	82
Total water discharge (m <sup>3</sup> per tonne of product)	G4-EN22	1.63	1.49
Average quality of water discharged (mg COD/l)	G4-EN22	71.7	70.0
By-products (kg per tonne of product)	G4-EN23	28.9	29.3
Waste for disposal (kg per tonne of product) <sup>1</sup>	G4-EN23	4.3	3.0
<b>Environmental sustainability governance</b>			
Sites certified against ISO 14001:2004	n/a	621 <sup>3</sup>	626

<sup>1</sup> 2014 data restated due to more complete data available.

<sup>2</sup> Percentage based on renewable component of direct energy use only (e.g. spent coffee grounds burnt from factory operations).

<sup>3</sup> Includes factories, R&D locations, distribution centres and head offices. 2013 figure does not include head offices.

# Managing environmental sustainability

Our goal is for our products to be not only tastier and healthier, but also better for the environment along their value chain. To improve the environmental performance of our products, we need to assess and improve their environmental impacts from the moment we begin to develop them. This means having a clear understanding of the environmental life-cycle impacts of our products, from agricultural production and the sourcing of ingredients through to what happens at the end of a product's life.

## The environmental life cycle of products

### Our commitment



**Assess and optimise the environmental impact of our products**

We use the scientific method known as life-cycle assessment (LCA) to help us understand the performance of our food and beverage products along their value chain, from farm to consumer and beyond. The LCA focuses on preserving water, using natural resources efficiently, conserving biodiversity, reducing air emissions, adapting to climate change and reducing waste.

This approach informs our decision-making, helping us take actions to continuously improve our environmental performance. It also enables us to respond to stakeholders' growing interest in the environmental performance of food and beverage products, and provides credible evidence to support specific environmental communications and marketing claims.

We've completed LCAs for all our product categories. Examples of the improvements we have made to products as a result of these LCAs include:

- The eco-mode for our Nescafé Dolce Gusto Melody coffee machine enables auto-standby mode after 20 minutes. For a 120 ml cup, this has helped consumers cut carbon dioxide equivalent (CO<sub>2</sub>eq) emissions by 32%, fossil fuels by 41% and water use by 25%, compared to the first model launched in 2006;
- The new Nestlé Infant Nutrition Ready-to-Feed plastic bottle produced in Germany has a better environmental performance than the glass equivalent. GHG emissions have been reduced by 19%, water withdrawal fell by 15% and ecosystems quality improved by 28%. The environmental savings on a 32-bottle pack in Germany are estimated to be 13 kilometres of road travel avoided, 74 m<sup>2</sup> of green space preserved and 37 litres of water saved;
- The new Nescafé refill pack in Italy has a better environmental performance than the previous 150 g glass jar because it has reduced GHG emissions by 79%, water withdrawal by 72% and resource consumption by 77% (taking into account packaging production and delivery, product distribution and end of life). More information about the pack and the Nescafé Plan for more responsible farming, production and consumption is available through the on-pack Quick Response (QR) code (see [Going 'beyond the label'](#)); and [Promoting sustainable consumption](#).

## Life cycle of products



- The new [Nescafé Café Menu cappuccino pack](#) has reduced the carton weight by 21% compared to our previous pack – the equivalent of 14% fewer lorries on the road.

### Nespresso: the Positive Cup

[The Positive Cup](#), Nespresso's sustainability strategy, covers:

#### 100% sustainably sourced coffee

- Source 100% of our permanent range of Grand Cru coffees sustainably through the Nespresso's AAA Sustainable Quality™ Program;
- Expand the AAA Sustainable Quality™ Program in Ethiopia, Kenya and South Sudan; and
- Pursue innovative solutions to farmer welfare.

#### 100% sustainably managed aluminium

- Expand the capacity to collect used aluminium capsules to 100% wherever the company does business, and increase recycling rates;
- Source 100% of virgin aluminium capsule material compliant with the new Aluminium Stewardship Initiative (ASI) standard; and
- Recycle Nespresso capsules collected by the company into new ones.

#### 100% carbon-efficient operations

- Further reduce by 10% the company's carbon footprint; and
- Increase farm resilience to climate change.

As part of this holistic approach, life-cycle assessments of its products are used to calculate their environmental performance.

 **Read more** about [sustainable coffee sourcing](#), [sustainable aluminium sourcing, use and disposal](#); and [carbon-efficient operations](#).

## Identifying and addressing environmental hotspots

### Our objective

- By 2017 – Identify or update and address the sustainability hotspots for 15 product categories.

We share the data from our LCAs internally through the Nestlé Category Sustainability Profiles. These profiles summarise a category's environmental 'hotspots' – areas of significant impact, based on environmental indicators including GHG emissions and water use – and outline how we are addressing them to improve environmental performance along the value chain.

In 2015, we completed LCAs for all our product categories, and established and documented Nestlé Category Sustainability Profiles for 15 categories.

## Sustainability by Design

All our new products undergo an environmental sustainability assessment where relevant, using our LCA-based ecodesign tool EcodEX (Ecodesign for Sustainable Product Development and Introduction). This tool enables product development teams to assess the environmental performance of a product faster and much earlier in the design process. Using five environmental impact indicators, EcodEX allows different scenarios to be compared using data specific to the food and beverage industry. It can be used to assess the overall environmental impacts of a packed food product along the value chain, from the sourcing of raw materials right through to the end of life. EcodEX is now used in 30 (100% of in-scope) R&D locations – this represents 96% of the whole R&D organisation.

During 2014 and 2015, we also used EcodEX to run environmental assessment studies for our main products in the Swiss market, to identify areas with a high environmental impact and to inform action improvement plans. The work extended the application of EcodEX beyond R&D, with a decision to carry out a more detailed study on two specific applications. It will also act as a pilot to explore how EcodEX could be used to provide the basis for environmental claims, which will include a process for an external peer review of the scope and the results of the analysis.

By the end of 2015, we had evaluated 6174 projects<sup>4</sup> and 17 724 scenarios<sup>5</sup> using PIQET, EcodEX and the GEF (Global Environmental Footprint) ecodesign tool, developed and used exclusively by Nestlé Waters.

### Number of development projects evaluated by ecodesign tools

2015	6 174
2014	5 742
2013	5 200

<sup>4</sup> In the case of packaging, a project is a detailed description of all the different packaging system formats (or scenarios) that a product can be packaged in.

<sup>5</sup> In the case of packaging, each packaging system format that a product can be packaged in (e.g. aluminium can and corrugated board, glass bottle and shrink film, etc.) is termed a scenario.

## Mandatory rating system

We use a mandatory environmental rating system for all new product and process developments. It uses a five-point scale to evaluate potential impacts, both negative and positive, and is designed to inform our decision-making at the earliest possible stage – well before a project goes into development.

### Environmental hotspots for dehydrated culinary products

All the product categories within our Food business unit have undergone LCAs, with hotspots identified and addressed.

As an example, the main hotspots in our core dehydrated culinary category (including dehydrated soups, sauces, bouillons and seasonings) are in the agricultural and consumption stages. Almost half the GHG emissions (49%) and 85% of the water impact occur during the agriculture stage, while consumption and product use are responsible for 32% of the GHG emissions and 11% of the water use.

To address these issues, we are working to improve the agricultural practices of our direct suppliers through our Responsible Sourcing programme. We also encourage consumers to prepare and use our products efficiently, by using as little water and energy as possible, minimising food waste through appropriate portion sizes and recycling product packaging whenever feasible.

## Promoting access to data

### Our objective

- **By 2017** – Further enlarge the scope of our databases on agricultural raw materials used in EcodEX.

To make informed decisions, our teams require accurate data, and we are continuing to work with external collaborators to develop databases that benefit not only Nestlé but the LCA community at large. In particular, we are focusing on enlarging the scope of the input data on agricultural raw materials, as they constitute the main environmental impact of many products.

For example, we are continuing to develop and improve EcodEX through a collaboration with the Montreal-based International Reference Centre for the Life Cycle of Products, Processes and Services (CIRAIG). We are currently working on incorporating information on statistical uncertainty into EcodEX and regionalising life-cycle inventory datasets for water flows and land use. We are also co-sponsoring the development of a World Food LCA Database, coordinated by LCA consultancy Quantis and 11 other partners.

During 2015, more than 750 critically reviewed datasets were added to EcodEX. Nestlé is also funding further data development, in collaboration with Quantis, to focus on ingredients not yet considered in other major databases.

To stay at the forefront of LCA and ecodesign, we are continuing to promote Sustainability by Design and provide our product development teams with opportunities for continuous learning and knowledge sharing. In addition to staff at our 40 R&D centres disseminating their expertise throughout our R&D community and across our operations, the experts in our global Sustainability by Design Network are responsible for building sustainability into the earliest phase of product development.

To evaluate the opportunity to extend our sustainability analyses beyond just environmental factors, we have been collaborating with global science company [DSM](#) to trial tools that will conduct integrated assessments of environmental, social and health impacts. The test case was a fortified milk product in the Asian market. The project has resulted in new insights and recommendations for using sustainability in innovation decision-making and communication, and opportunities to develop products with favourable environmental, social and health impacts.

### Piloting the EU Product Environmental Footprint Category Rules

In 2014, the European Commission launched a three-year pilot to develop a common environmental footprint methodology for 25 product categories and two business sectors. Nestlé was selected to co-lead the development of Product Environmental Footprint Category Rules (PEFCR) in three areas: Nestlé Waters for packaged water; *Nespresso* and *Nescafé* for coffee; and Nestlé Purina for pet food.

This project is designed to establish and validate an open and transparent multi-stakeholder process for developing PEFCRs across all categories, including performance benchmarks for compliance and verification systems, and for testing communication channels.

The EU Environmental Footprint Steering Committee approved the scope and definition of representative products in the three product categories co-led by Nestlé. The rules that eventually result from these pilots will be adopted by all stakeholders to assess the environmental performance of their products. Next year, we will test different communication vehicles for our products.



This is a major milestone in the development of a common environmental footprint methodology per product category. Nestlé is committed to the systematic assessment and optimisation of environmental impacts in the design of new and renovated products.”

**Pascal Gréverath, Assistant Vice-President – Environmental Sustainability, Nestlé**

# Raw materials

We source millions of tonnes of agricultural raw materials, and millions of farmers depend on our business for their livelihoods, whether through our [Farmer Connect programme](#) (which we use to source raw materials directly from farmers, co-operatives and selected traders) or our procurement activities. All our suppliers are required to meet our high standards but we help them improve their environmental sustainability practices through advice, training and other services. This leads to increased yields and quality, and better resistance to disease and drought, helping ensure a secure source of high-quality ingredients for our products.



## Our approach

We use around 25 million tonnes of raw materials. We source directly from farmers, and procure fresh and semi-processed raw materials from our Tier 1 suppliers (those in direct commercial relationships with Nestlé). Where possible, we prefer to source materials that have been produced near our factories.

To promote environmentally sustainable agricultural practices, we help our suppliers evaluate the environmental performance (and other aspects) of their farms and plantations, and of their upstream supply chains. We do this through a number of initiatives, some of which are outlined below.

Consumers and other stakeholders increasingly want to know where their food comes from and how it was produced. Working alongside non-governmental organisation (NGO) partners, we map our supply chains, and conduct supplier audits and farm assessments to ensure the procurement of our 12 priority categories complies with our [Responsible Sourcing Guideline](#) (RSG) criteria.

### Our commitment



**Preserve natural capital, including forests**

### Our objectives

- **By 2015** – 30% of the volume of our 12 priority categories of raw materials has been assessed against our *Responsible Sourcing Guideline* requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

- ⊕ **By 2016** – 40% of the volume of our 12 priority categories of raw materials has been assessed against our *Responsible Sourcing Guideline* requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

By the end of 2015, we had purchased 14.4 million tonnes of our 12 priority categories of raw materials: 54% of purchased volumes was traceable and 43% was Responsibly Sourced, in accordance with our RSG requirements. This means we met our 2015 target, and will report on the final 2016 achievement in next year's report.

**Please see [Rural development](#)** for details of progress against our objective for Responsibly Sourced commodities.

### Raw materials used (million tonnes)

<b>2015</b>	<b>25.0</b>
2014	25.8
2013	22.5

### Key categories of raw materials used (tonnes)

	2014	2015
Fresh milk and milk derivatives	14.2 million	<b>14.2 million</b>
Palm oil	445 000	<b>420 000</b>
Cocoa	430 000	<b>394 000</b>
Coffee	842 000	<b>849 000</b>

## RISE: evaluating sustainability

To improve the environmental, social and economic performance of those in our supply chain, we apply RISE (Response-Inducing Sustainability Evaluation), a tool that helps smallholder farmers evaluate environmental impacts at the farm level. RISE uses 10 performance ratings ranging from 'problematic' to 'good performance' to assess areas such as crop production, water use and energy consumption, and any potential effects on [climate change](#) and [biodiversity](#), and identify improvements.

The lessons from the various RISE studies – originally focused on the dairy sector but increasingly extended to cover coffee and cocoa farmers too – are shared with the farmers who supply us by Nestlé agronomists.

 **Read more** about RISE in [Rural development](#).

### Environmental sustainability in the dairy sector, Chile

In Chile, the production of Nido Crece Light milk powder begins with responsible sourcing, starting with the dairy producers who deliver their milk to our Llanquihue plant.

Across Chile's dairy sector, our Environmental Sustainability on Dairy Sites programme assesses the environmental standards of our direct suppliers and pays a bonus to producers who comply with them. Five core concepts are audited: environmental protection, low-carbon dairy farming, environmental services, animal welfare and the protection of human health. In the Llanquihue region, more than 90% of our milk – from almost 500 farmers – is audited under this programme.

In addition, 32 suppliers of other primary materials to our dairy business in Chile have been audited under our global [Responsible Sourcing programme](#) to evaluate health and safety, labour standards, environmental sustainability and business integrity.

### Herta strengthens supplier relationships, France

To strengthen its links with direct suppliers and promote sustainable best practice in the sourcing of its pork, Herta Foods in France set up a working group of professionals to discuss how to improve animal welfare and lessen the sector's environmental impact.

To help the company fully understand the impact of the different stages of our value chain, Herta carried out a simple [life-cycle assessment](#) on its ham. This analysis showed that the areas with the highest impact on the environment were farming, production and packaging.

Informed by this, Herta's *engage Filière Préférence* was launched in 2013. This partnership between Herta, farmers and slaughterhouses was the first initiative uniting all the stakeholders in the supply chain for any meat-farming organisation in France. Each stakeholder group made a commitment to the other members of the partnership:

- Farms will supply pork in line with Herta's best-practice standards, gaining 'points' for doing so, and will commit to engage in a process of continual improvement based on farm audits and corrective action plans;
- Slaughterhouses will only source from partner farms involved in the initiative and only supply cuts of pork that meet Herta's specifications; and
- Once a farm acquires the required number of points, Herta commits to buying all their cut-pork products for three years.

These mutually beneficial relationships help secure supplies of good-quality meat, improve the health and wellbeing of the animals, and improve the sector's impact on water, air and soil.

So far, 65 farms and five slaughterhouses have signed up to *Filière Préférence*, supplying about 7% of Herta's ham.

As part of the PNA (Programme National pour l'Alimentation/National Food Programme) framework, Herta's policy was endorsed through a Government charter, signed in the presence of the Minister for Agriculture at Nestlé France's headquarters.

To support farmers in the scheme, Herta also intends to create a 'farmers club' to share the best initiatives across the network and attract other farmers to participate.



## Promoting environmental sustainability in agriculture

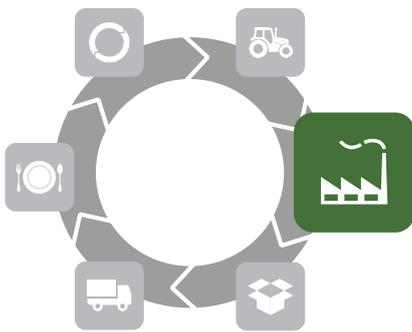
We are an active member of a number of associations, organisations and industry-wide initiatives that promote environmentally sustainable agricultural practices. These include:

- **The Sustainable Agriculture Initiative (SAI) Platform** – we continue to support the water, coffee, dairy, meat, and fruit and vegetables working groups within this industry organisation;
- **The 4C Association** – we co-chair this multi-stakeholder organisation, which promotes the Common Code for the Coffee Community and addresses sustainability issues in the coffee sector;
- **The IDH Sustainable Coffee Program** – a public–private partnership seeking to extend sustainable coffee production into mainstream markets and increase sustainable green coffee sales to 25% in 2015;
- **The UNGC Food and Agriculture Business Principles** – we are a founding participant of the UNGC’s principles and were involved in their launch in 2014; and
- **The Consumer Goods Forum (CGF)** – our [commitment on no deforestation](#) aligns with the CGF’s goal to achieve zero net deforestation by 2020, mobilising resources through individual member company initiatives and collaborative partnerships with governments and NGOs.

We continually look to strengthen these partnerships and explore new opportunities, as well as extend our own [Responsible Sourcing activities](#) and initiatives such as the [Nescafé Plan](#) and the [Nestlé Cocoa Plan](#).

# Manufacturing

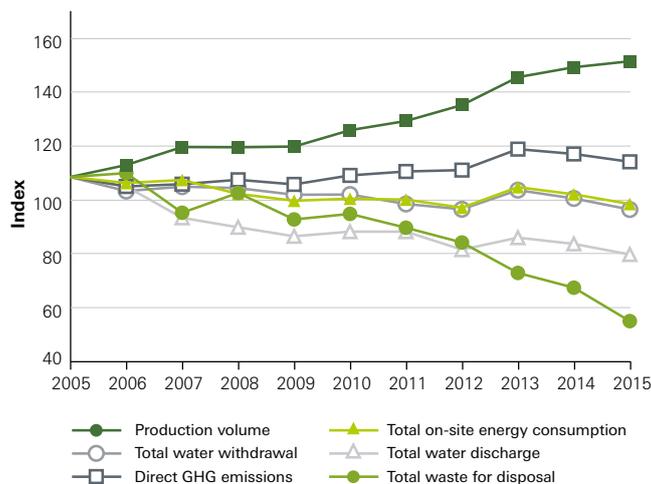
Manufacturing comprises all the processes that are necessary to transform perishable raw materials into safe, nutritious, value-added food products for consumers. We use the [Nestlé Environmental Management System \(NEMS\)](#) to implement The Nestlé Policy on Environmental Sustainability. NEMS is based on a continual improvement management cycle and its effectiveness rests on the use of the methodologies provided by our Nestlé Continuous Excellence (NCE) initiative. Through the application of NCE practices, we are improving our efficiency, quality and environmental performance throughout our manufacturing operations. This translates into doing more with fewer resources and less waste to help preserve natural resources.



## Our approach

We've continued to decouple environmental impacts from growth – improving our environmental impacts while increasing our volume of production. Although we have doubled our manufacturing production over the last 10 years, we've steadily decreased our [water use](#), direct [GHG emissions](#) and [waste for disposal](#)<sup>6</sup>.

### Resource consumption and waste generation versus production volume, 2005–2015



### Our commitment



### Improve resource efficiency in our operations

Achieving and maintaining operational excellence is fundamental to improving our resource efficiency. Through the 3Cs of the NCE initiative (outlined below), we continue to improve our resource efficiency, quality and productivity. Its main goal is to engage employees in:

- Excelling in **compliance**, both legal and internal;
- Delighting our **consumers**, through sharing our sustainability aims and achievements in brand communications; and
- Driving **competitive advantage**, by progressing towards zero waste, and improving water and energy efficiency.

Going for Zero is our manufacturing operations' contribution to the NCE initiative. It describes our Manufacturing Excellence ambition to 'go for zero' in each of five dimensions: safety, quality, cost, delivery and environment.

Our [LCAs](#) inform us of the proportion of energy that is used during the manufacturing of our products. It is at this stage of the value chain that we can do the most to directly manage and improve our energy performance, and we take every opportunity to do so.

As stated in The Nestlé Policy on Environmental Sustainability, we aim to use the most efficient technologies and apply best practices to further optimise energy and water consumption; minimise waste generation; use sustainably managed renewable energy sources; recover value from by-products; and control and eliminate emissions, including GHGs.

<sup>6</sup> Operational figures include joint ventures; financial figures do not.

## Reducing our energy consumption

### Our objective

- **By 2015** – Reduce energy consumption per tonne of product in every product category to achieve an overall reduction of 25% versus 2005.

Since 2005, our total on-site energy consumption has increased by 6.6% while the total production volume increased by 50.2% over the same period. Our objective was to achieve an overall reduction of 25% per tonne of product by 2015, compared with a 2005 baseline and, globally, we've exceeded our target by reducing total energy consumption, per tonne of product, by 29% since 2005. This is the result of efforts by our engineers and environmental sustainability managers, working together to reduce and recover energy in line with the NCE initiative. Changes in our product mix, and acquisitions and divestments have also contributed.

#### Total on-site energy consumption (petajoules)

2015	93.8
2014	96.8*
2013	98.6*

\* The 2013 and 2014 figures were restated due to more complete data.

#### Total direct energy consumption (petajoules)

2015	63.8
2014	66.5*
2013	68.0*

\* The 2013 and 2014 figures were restated due to more complete data.

#### Total indirect energy consumption (petajoules)

2015	80.7
2014	81.1
2013	81.5

We've conducted improvements in all our product categories except petcare; this is due to significant changes in our pet litter business, including the recent internalisation of certain manufacturing processes that were previously conducted externally. However, despite the increase in energy consumption observed during manufacturing, these same changes have led to substantial environmental benefits when evaluated across the life cycle, as revealed by the LCAs we conducted. Further reducing our energy consumption is a challenge, largely due to the evolution of our product portfolio over time towards more value-added products, which in turn allows our consumers to save energy.

### Energy consumption per product category (GJ/tonne)

	2005	2015	Variation
Powdered and liquid beverages	17.08	7.2	-58%
Water	0.39	0.2	-44%
Milk products and ice cream	4.93	3.3	-33%
Nutrition and healthcare	10.70	7.2	-32%
Prepared dishes and cooking aids	3.93	3.3	-16%
Confectionery	5.89	4.6	-23%
Petcare	1.81	1.9	+3.1%
<b>Group average</b>	2.42	<b>1.7</b>	<b>-29%</b>

### Environmental Target Setting programme

Our Environmental Target Setting (ETS) programme aims to improve the environmental performance of our factories, based on a thorough assessment of baseline energy and water consumption.

To help our factory teams improve their own environmental performance and meet our commitments, we have developed a web-based tool, Do It Yourself. This enables each factory to identify energy- and water-saving opportunities from successful solutions already adopted around the Group.

In line with our commitment to improve resource efficiency, our projects prioritise the introduction of new, energy-efficient technologies.

- Our Canlubang factory in the Philippines ran an ETS in June 2015, identifying 29 projects that would generate annual savings exceeding 70000 GJ of energy (17% reduction) and 152827 m<sup>3</sup> of water (23% reduction), avoid 6415 tonnes of CO<sub>2</sub> and save CHF 1.6 million per year. The factory will prioritise seven schemes that will pay for themselves within a year, such as recovering heat from boilers, and another four that require no capital expenditure;
- Similarly, our Purina factory in Portogruaro, Italy, conducted an ETS in February 2015, developing an action plan to save 22 155 GJ of energy and 4349 m<sup>3</sup> of water (roughly a 10% reduction in both), avoid 1402 tonnes of CO<sub>2</sub> and save CHF 528000 a year. The 17 agreed projects include replacing leaking steam traps, and installing insulation and heat recovery systems;
- The *Nespresso* Production Centre in Orbe uses water from the local river for cooling during some production processes. A more efficient management system was put in place, resulting in a 150000 m<sup>3</sup> reduction in our yearly consumption of river water – the equivalent of 50 Olympic swimming pools; and
- The optimisation of operational parameters at the *Nespresso* Production Centre in Avenches allowed us to reduce the site's electricity consumption by 1400000 kWh, which is equivalent to the yearly electricity consumption of about 200 families.

The savings delivered by projects implemented in 2015 amounted to 1.1 million GJ of energy, 1.7 million m<sup>3</sup> of water and 81 146 tonnes of CO<sub>2</sub>eq.

Looking ahead, we have identified new projects that, for an investment of about CHF 26.1 million, are expected to deliver annual savings of about 844 000 GJ of energy; 58 000 tonnes of CO<sub>2</sub>eq emissions; and 1.3 million m<sup>3</sup> of water.

### Nespresso factory in Switzerland LEEDs the way



*Nespresso* inaugurated a CHF 300 million factory in Romont, Switzerland, to meet growing world demand for *Nespresso* coffee and support its expansion plan in North America. The factory, which has created 125 new jobs to date, will produce (in addition to Classic capsules) *Nespresso* capsules for the [VertuoLine system](#), launched in the United States and Canada in 2014.

Romont is the first production site in Switzerland to obtain LEED (Leadership in Energy and Environmental Design) Gold certification. LEED is a set of ratings developed by the US Green Building Council to help building owners and operators be environmentally responsible and use resources efficiently. The global standard identifies achievement in green building design, construction and operations, encompassing water and energy efficiency, and more sustainable purchasing and waste management. This certification supports *Nespresso's* [The Positive Cup](#) goals for more sustainable coffee sourcing and consumption.

Nestlé now has 19 factories and eight other sites that are LEED certified.

### Reducing water withdrawals

Nestlé has made five public commitments on water, designed to guide management and the whole company in collective efforts to reach specific objectives. These include an ambition, by 2020, to reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 35% in our manufacturing operations since 2010. Please see our [Water](#) chapter for more information.

### Investing in our factories

When we build, construct and renovate our factories, we always consider environmental sustainability. Recent investments in our direct operations include:

- Nestlé Spain's EUR 102 million (CHF 122 million) investment in a new line for Nescafé soluble coffee at its Girona factory will boost annual production by 30%, yet use 40% less energy and 33% less water per kilogramme of product manufactured than existing lines;
- A new CHF 72 million Nescafé Dolce Gusto factory in Montes Claros, Brazil – the brand's first outside Europe – will source its ingredients locally, will not send any waste to landfill, and will incorporate the latest water- and energy-saving technologies; and
- A CHF 80 million production plant for decaffeinating green coffee beans in the Dong Nai province of South-East Vietnam is designed to reduce water and energy consumption, and significantly cut CO<sub>2</sub> emissions compared to traditional production processes.

# Packaging

Packaging performs a variety of functions, from preventing food waste and maintaining product quality during shelf life, to providing convenience and information for consumers. When designing our packaging, we take a holistic approach to assessing environmental impacts across its entire life cycle, aiming for performance and functionality while seeking to optimise weight and volume. We continue to develop and use materials from sustainably managed renewable resources, support initiatives to recycle or recover energy from used packaging, and use recycled materials where beneficial and appropriate.



## Our approach

### Our commitment



**Improve the environmental performance of our packaging**

Our approach to packaging is aligned with [The Nestlé Policy on Environmental Sustainability](#) and focuses on five areas:

- The systematic use of ecodesign tools to assess environmental performance across the product life cycle;
- Continuing to optimise the weight and volume of our packaging;
- Leading the development and use of [renewable materials](#);
- Supporting initiatives to [recover used packaging](#) and address littering; and
- [Using recycled materials](#) where there is an environmental benefit and where it is appropriate.

### Our objective

- **By 2017** – Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 100 000 tonnes of packaging material from 2015 to 2017.

## Ecodesign

All our packaging needs to meet certain performance standards in terms of product protection, quality, safety, cost, production efficiency and consumer acceptance, while having the best possible environmental performance. Although packaging design decisions can make an important contribution to environmental performance across the product life cycle, the science is complex.

We have an internal standard that sets out the ecodesign process for ensuring that the environmental performance of products, including their packaging, is systematically assessed and taken into account for all relevant innovation and renovation projects.

Our ecodesign tools are used to systematically assess environmental performance and inform our packaging decisions. After using PIQET, we have now completed the roll-out of its replacement, giving us an evaluation of the overall environmental performance of food products throughout their entire life cycle. To date, we have evaluated 6174 projects and 17 724 scenarios using our [ecodesign tools](#), covering packaging and product development projects.

To adapt these tools to suit the local packaging waste collection, sorting and recycling infrastructure, Nestlé Germany has further refined its market-specific ecodesign process, NEATpack (the Nestlé Environmental Assessment Toolkit for packaging development). This holistic process has been defined, mapped and rolled out within the market. The use of the NEATpack process is now mandatory for all packaging development projects within Nestlé Germany. A good example of the beneficial usage of NEATpack is the development of the black *Maggi* 5-minute Asia Terrine (see [case study](#)).

As a representative of [EUROPEN](#) in the [EU Product Environmental Footprint Packaging Working Group](#), Nestlé continues to contribute to the establishment of guidelines for the environmental assessment of packaging.

## Optimising weight and volume

In continuing to optimise our packaging systems, we avoided the use of 58 284 tonnes of packaging material in 2015. This is equivalent to a cost saving of CHF 95.4 million. Due to our efficient ecodesign process, the implementation of best-in-class materials and technologies, and the level of efficiencies we have already achieved, it will become increasingly difficult

to take weight and volume out as we become better at designing packaging. Nonetheless, we have committed to avoid the use of at least 100 000 tonnes of packaging material over the next three years from 2015 to 2017.

#### Packaging optimisation (tonnes saved)



#### Materials for packaging purposes (million tonnes)



Overall, the cumulative amount of packaging we have avoided since 1991 is more than 771 830 tonnes and CHF 1356 million in packaging costs. The environmental benefits are also significant. Over the last five years, we have avoided in excess of 442 946 tonnes of CO<sub>2</sub>eq – equivalent to taking more than 95 876 cars off the road for a year.

Such benefits have been achieved by consistently looking to reduce the weight and volume of our packaging. Recent examples include:

- Replacing a triple layer of PE (polyethylene), aluminium and PET (polyethylene terephthalate) with a duplex structure in Nescafé Creamy White soluble coffee packets saves Nestlé Philippines 188 tonnes of material a year;
- By renovating the secondary packaging used for stand-up pouches and eliminating non-added-value operations during co-packing, Nestlé Purina PetCare Europe has saved almost 1000 tonnes of corrugated cardboard;
- Nestlé Waters reduced the total cost of production across its factory in Egypt by 6% – saving EGP 18 million (CHF 2.4 million) a year. This was achieved by cutting the PET resin used in 0.6 litre and 1.5 litre bottles by 12% (1 307 tonnes), as well as reducing the HDPE (high-density polyethylene) used in bottle caps by 11% (200 tonnes), and cutting the polypropylene (PP) in labels by 16% (33 tonnes);
- Continuing to optimise the packaging of Nescafé mixed coffee and creamer sticks in Hungary, we saved 35 tonnes of materials by reducing the PE sealing layers from 35 microns to 30 microns, and the printed PET layer from 12 microns to 10 microns;
- In Malaysia, reducing the thickness of the PET used in the 'tastemaker' seasoning sachets in Maggi 2-Minute Noodles from 12 microns to 8 microns will make annual savings of 66 tonnes of material and MYR 107 000 (CHF 30 280);
- Across Oceania, a gauge reduction of our 127 mm and 153 mm cans of Nescafé, Milo and Nesquick has resulted in an average weight reduction of 16%, saving 413 tonnes of tin plate and AUD 382 000 (CHF 309 000), while in Chile, we have saved 123 tonnes of tin plate a year by reducing the thickness of Nido milk cans;

- Also in Chile, reducing the headspace in the packaging of McKay mini-biscuits by 10 mm is set to save 19 tonnes of material, and more than CHF 69 000;
- Reducing the height of the corrugated cardboard trays for Winiary mayonnaise in Poland and the Baltic states saved 93 tonnes of packaging materials;
- In Malaysia and Singapore, reducing the thickness of the PE laminate layer of Nescafé 3-in-1 sticks from 40 microns to 28 microns has saved 153 tonnes of material;
- By harmonising carton sizes for Nescafé Café Menu cappuccino packs, produced in the UK for local and other European markets, we have been able to save more than 163 tonnes of cardboard annually; and
- On the KitKat production line at our factory in Perm, Russia, new wrapping and cartoning equipment allowed for the optimisation of display boxes and enabled double-stacked pallets, saving 573 tonnes of cardboard per year.

Looking ahead, we will be globally implementing the ISO 18602 Packaging Optimisation standard in packaging development to ensure that Nestlé packaging is systematically designed with adequate weight and volume from the start.

#### New aseptic packaging better for the environment



Our Product Technology Centre (PTC) in Konolfingen, Switzerland, began developing new aseptic (sterile) packing and processing technologies to support the quality and safety needed for our ready-to-drink infant formula in 2011.

Through the collaboration between the PTC and the factory, the project has seen the packaging change from glass to ergonomically designed non-breakable plastic bottles that ensure food safety and improve environmental performance. The environmental benefits of using a lighter, recyclable material and significantly reducing in-house production waste include a 19% reduction in GHG emissions, a 28% better environmental performance and a 15% decrease in water withdrawal.

Since its commission, the production line has delivered more than 15 million bottles to hospitals in more than 20 countries.

#### Development and use of renewable materials

As stated in The Nestlé Environmental Sustainability Policy, we aim to lead the development and use of materials from sustainably managed renewable resources considering packaging and product performance requirements.

Renewably sourced materials need to provide a genuine advantage from an environmental sustainability perspective. Today, materials from renewable resources are sold at a premium and often have limited availability, with fierce

competition for supplies, yet many still do not have the appropriate performance criteria for our needs. Currently, over a third of our packaging materials are made from renewable materials (see [Using recycled materials](#)), and most of these are fibre-based materials such as paper and board.

#### Renewable packaging materials (% of materials for packaging purposes)

2015	38.3
2014	39.6
2013	38.9

We continue to participate in the development of new materials produced from sustainably managed renewable resources, such as biobased<sup>7</sup> plastics and fibre-based materials, and assess their potential environmental benefits, functional performance, availability and cost so that we can select the most appropriate applications for Nestlé. Currently, the applications using biobased plastics present in the market include:

- Nestlé Brazil uses bio-PE in caps and the inner liner of beverage cartons;
- Nestlé Waters Italy uses bio-PET in Levissima bottles; and
- In the UK, Quality Street continues to use Natureflex cellophane for its twist wraps. We also use the same material in window cartons for Smarties and approximately 20 other projects are currently under evaluation.

Over the long term, our focus will be on third-generation bioplastics (see table below) and fibre-based materials typically sourced from plant matter such as wood, grass and reeds, algae and agricultural by-products (e.g. cereal husks), all of which don't compete with food for land. Each will be assessed on a case-by-case basis with respect to environmental credentials, regional and local impacts, consumer expectations and effects on food security.

#### Nestlé applications for bioplastics

Generation	Materials	Possible applications	Issues for Nestlé	Timeframe
Generation 1	Poly-lactic acid and starch blends derived from food crops such as corn.	Twistwraps, yoghurt pots.	Limited potential due to lack of moisture barrier, moisture and temperature sensitivity, processing challenges and cost.	Now
Generation 2	Conventional plastics, e.g. PE, PET and PP, derived from renewable resources such as sugar cane.	Caps and interior layer for beverage cartons, water bottles and cereal boxes.	Identical properties to materials currently used. Use limited by cost and supply (e.g. only one supplier of bio-PE in Brazil). Need careful assessment of environmental impacts and food security issues.	Now to 2016
Generation 3	New bioplastics derived from sources not competing with food and animal feed (cellulose, wood, agricultural by-products, algae).	Full Nestlé portfolio.	Actively participating in research, development and validation. Land use must still be carefully scrutinised.	2016–2020

<sup>7</sup> A renewable or biobased resource is defined as 'a material or resource that is composed of biomass from a living source and that can be continually replenished'. Examples include trees, crops, grasses, algae or waste of biological origin.

## Recovering used packaging

In several regions, including Europe, Latin America and Asia, authorities have imposed, or are considering imposing, bans on plastic carrier bags to combat the problem of littering. In some countries, these proposals also extend to food packaging and the mandatory use of degradable plastics.

While Nestlé welcomes government initiatives to combat the problem of plastic litter from discarded food packaging, we believe that neither material bans nor the enforced use of degradable materials is the answer. We favour the development of comprehensive collection and recovery infrastructure, underpinned by effective public education programmes. Therefore, we remain committed to working with relevant authorities and industry associations to ensure suitable infrastructure and awareness-raising activities are in place.

At a corporate level, Nestlé is a member of [EUROPEN](#), the European Organization for Packaging and the Environment, and was elected into its executive committee in 2015. We also co-chair the EUROPEN Life Cycle Assessment (LCA) Taskforce and we represent EUROPEN within the Packaging Working Group of Product Environmental Footprint pilot of the European Commission. In addition, we actively worked within the European Chamber of Commerce to create a joint industry position on the subject of packaging bans and the enforced use of degradable packaging.

Nestlé also holds membership with [AMERIPEN](#) (the American Institute for Packaging and the Environment) and the Sustainable Packaging Coalition (SPC), having joined in November 2015. AMERIPEN advocates for packaging policy advancement in North America and takes a science-based, material-neutral approach to encourage informed decision-making on packaging and the environment by policy-makers and thought leaders.

Several markets are also engaged in activities to educate consumers and establish collection and recovery infrastructure for used packaging in emerging and developed countries, as outlined overleaf.

## Educating consumers

- As the newest members of the How2Recycle Label programme in the United States, selected Nestlé USA and Purina brands will help keep recoverable materials out of landfill by providing clear on-pack recyclability information. How2Recycle was developed by GreenBlue's SPC, a membership-based group that seeks to broaden the understanding of packaging sustainability and improve packaging solutions. Nestlé joins more than 40 How2Recycle member companies in using the label on their products;
- Both Nestlé UK & Ireland and Nestlé Waters support Pledge4Plastics, a national recycling awareness programme run by recycling charity RECOUP. To help meet ambitious recycling targets set by the UK Government, consumers are being asked to pledge online to recycling one more plastic bottle per week, which could result in millions more bottles being saved from landfill. To date, Pledge4Plastics has shared its communications toolkit with 111 local authorities and 72 businesses; and
- Also in the UK, Nestlé and Purina are helping empower our consumers to recycle more beverage packaging, confectionery pouches and pet food packaging. Innovate UK is funding a collaborative R&D project to develop packaging design guidelines. These will provide guidance on markings for brand owners and retailers to use, to clearly communicate whether a product is recyclable.

## Establishing collection and recovery systems

- Nestlé Chile continued its collaboration with a number of other FMCG (fast-moving consumer goods) companies to reduce waste and encourage responsible disposal by supporting a recycling network in Santiago. By August 2015, the Collective Recycling Project had recovered more than 448 tonnes of packaging material;
- Nestlé Malaysia has continued its collaboration with packaging firm TetraPak (Malaysia) on the [CAREton Project](#), set up in 2012 to turn used beverage packages and cartons into roof tiles for new homes being built for underprivileged communities by social enterprise EPIC Homes. For every 7247 recycled drink packs, a single nine-by-four foot roofing tile is produced; 46 tiles are required to build one EPIC home. The 9.3 million drinks packs obtained via 486 collection points in 2015 will be enough to make 1283 tiles for 27 houses. To encourage consumer participation, TetraPak and Nestlé Malaysia pledged to match the number of tiles if the target is achieved, providing tiles for a further 25 homes. The tiles will be produced and distributed in 2016. A new 'Recycle Easy' microsite makes it easy for consumers, business and schools to find their nearest public collection point;

- In the Philippines, used laminates and sachets have traditionally had no recycling value and usually end up in landfill. But Nestlé has teamed up with a social enterprise, Green Antz Builders, to create the eco-brick, composed of around 10% shredded used laminates. Compared to ordinary cement hollow blocks, eco-bricks are five times better in terms of compressive strength, and allow faster construction with less materials due to their interlocking shape. Green Antz Builders has established eco-brick hubs, where community members are taught the importance of waste segregation, and how used sachets and laminates can be used to make eco-bricks. Collections from schools have also been organised;
- Helping address growing consumer concern about the number of coffee capsules going into landfill, Nescafé Dolce Gusto launched a bespoke recycling scheme in September 2014 for Australia and New Zealand. Consumers collect used capsules at their homes and offices, download a shipping label, and mail them free of charge to global recycling partner TerraCycle; for every used capsule received, a small donation (two cents) is made to the consumer's charity of choice. Residual coffee grounds are composted and the plastic and aluminium in the capsules are recycled. More than 600 locations have signed up to the scheme across both countries since it was launched, and more than 200 000 capsules have been collected;
- Nestlé New Zealand is sponsoring a flexible plastic recycling programme, which was launched in October 2015. Post-consumer flexible plastics are put in collection bins at supermarkets. The New Zealand Government has confirmed matched funding of NZD 700 000 (CHF 542 500) over three years to support industry investment in the project; and
- As a participating organisation, Nestlé has made a substantial contribution to the Global Plastics Packaging Roadmap (GPPR), to be launched by the Ellen MacArthur Foundation at the 2016 World Economic Forum. The GPPR aims to address endemic issues of the current, largely linear, plastics economy and provide an action plan towards an economically and environmentally attractive alternative.



## Supporting Brazil's national solid waste policy



In Brazil, almost a third of the waste generated is recyclable, so the Government enshrined its National Solid Waste Policy in law to establish greater shared responsibility for action. Through a model recognised by the United Nations Environment Programme (UNEP) as a benchmark for developing countries, businesses are expected to develop the process for collecting their post-consumption packaging for further recycling.

More than 300 packaging manufacturers, consumer goods producers, importers and distribution companies, as well as 21 business associations – including the Brazilian Food Industry Association (ABIA), which represents Nestlé – make up the Packaging Recycling Business Coalition. The coalition represents more than 70% of Brazil's packaging sector and has been instrumental in establishing an industry agreement. Starting in 12 Brazilian state capitals and their metropolitan regions that are responsible for generating more than a third of the nation's waste, the aim is to increase the recovery of dry recyclable waste to 28% by 2019. A second phase will involve a national roll-out, with a recycling target of 45% by 2031.

Through an annual investment of BRL 1.3 million (CHF 485 000), Nestlé Brazil helps keep post-consumer packaging out of landfill, create recycling co-operatives and generate employment. Of the 160 co-operatives covered by CEMPRE (Business Commitment to Recycling) throughout Brazil, Nestlé now supports 69 of them across 34 cities in 15 states. Our programme now covers more than 1900 catadores (waste pickers) – more than twice the 2014 figure – who segregated 51 000 tonnes of recyclable waste from Brazil's landfill sites in 2015.

## New research into the recovery of flexible packaging



In September 2015, new research into increasing the recovery of flexible packaging was published by the Research Foundation for Health and Environmental Effects (RFHEE). The study, 'Materials Recovery for the Future', was sponsored by a number of manufacturers, including Nestlé Purina PetCare and Nestlé USA, and industry organisations such as the Association of Postconsumer Plastic Recyclers (APR), the Flexible Packaging Association (FPA) and SPI (the plastics industry trade association).

The research is the first in a series of initiatives, aimed at creating a mainstream recovery solution for flexible packaging. It will help 'close the loop' for flexible packaging materials.

Resource Recycling Systems will conduct baseline tests of the sorting technologies commonly used in material recovery facilities, such as screens and optical scanners, to determine their effectiveness for separating films and other flexible packaging. Results are expected in mid-2016.



The research is the first to use this methodology to study the movement of films and flexible plastic packaging at material recovery facilities in the United States. We believe that data will help us learn how to recover and divert more valuable resins from landfill."

**Diane Herndon, Manager, Sustainability, Nestlé Purina PetCare**

## Sortable black plastic pots, Germany



Nestlé Germany has developed a new range of instant noodles, packed into an existing polypropylene cup adapted from another instant product range. The colour of the existing cup is white but the new product range required a black cup. The issue with conventional, carbon-based black colourants is that the black plastic is not detectable and sortable via Near Infrared (NIR), the common detecting technology within fully automated German, post-consumer packaging sorting centres.

Within the [NEATpack process](#), we tested different black, soot-free colourants at a sorting plant in Leipzig and one, along with the white batches, was detectable by NIR technology as being PP, enabling effective sorting and recycling. The related EcodEX study has proven that the use of the alternative colourant has significantly reduced the impact of GHG emissions and non-renewable energy (see graphic).

The redesigned black cup, launched in March 2015, is an equally effective barrier to water vapour and even better barrier to light than the white cup.

## Recovery infrastructure around the world

The recovery rate of used packaging in any given location largely depends on the availability of collection and recovery infrastructure. Therefore, we continue to collaborate with brand owners, packaging suppliers, public and private waste management schemes, operators and co-operatives, governments and municipalities around the world to establish comprehensive schemes for the collection and recovery of post-consumer packaging.

Such schemes usually involve the wide availability of collection points for used packaging, efficient sorting and a range of recovery options, including recycling, energy recovery, composting and anaerobic digestion (AD). Together, they help maximise the environmental performance of the packaging life cycle and minimise the quantity of our used packaging ending up in landfill or as litter.

The lack of infrastructure can be a particular challenge in some developing countries, where the only collection method is waste pickers sorting through landfill sites by hand. Together with other members of the [Consumer Goods Forum \(CGF\)](#), we are investigating how to help increase the recycling and recovery of used packaging in emerging and developing countries, beginning with a project to retrieve packaging from municipal solid waste.

To help reduce the amount of plastic that ends up in the ocean, Nestlé Waters joined the Trash Free Seas Alliance in 2012, a partnership developed by the NGO Ocean Conservancy to address the problem of marine debris. Trialling new integrated waste management plans in two or three cities in Asia, Ocean Conservancy will work with local leaders to improve collection, landfill site remediation, recycling and energy-from-waste generation. The plans, which will be locally tailored, are intended to demonstrate the feasibility of the plans, and to develop a replicable model that can be adopted by the other cities and regions. With a budget of approximately CHF 1.2 million per city, the project – if successful – could help avoid the significant cost to governments and industry caused by marine debris. It could also improve human health and the environment, and create many new jobs.

Through a global study with Der Grüne Punkt – Duales System Deutschland GmbH, a leading German producer responsibility scheme, we evaluated the recycling rates of different used packaging materials around the world in 2012. This data is updated annually and is crucial for accurately assessing the overall environmental performance of packaging concepts via our [ecodesign tools](#).

### Public spaces recycling programme in Manitoba



Nestlé Waters is committed to optimising the environmental performance of its packaging through recycling. The company co-founded the Canadian Beverage Container Recycling Association (CBCRA), a not-for-profit organisation committed to reaching the Government target of recovering 75% of beverage containers sold in Manitoba.

Nestlé Waters Canada and the Canadian beverage industry established Canada's first permanent public spaces programme in Manitoba in April 2010, which manages and funds 80% of Manitoba's curbside recycling programme, as well as 100% of its public spaces recycling and 100% of its industrial, commercial and institutional recycling. Complemented by continuous public education and communications, it was the first programme of its kind in the world.

When the public spaces recycling programme – which captures items typically abandoned by consumers in parks and recreational facilities, bus stops, bars and restaurants, schools, shops and petrol stations – began, the province had a 42% recycling rate for beverage containers – the worst rate in Canada. But over the last four years, the recycling rate has increased by 50%, making the CBCRA model the fastest-growing recycling programme in North America. Having achieved a 64% recycling rate in 2014, CBCRA Manitoba remains on track to achieve 75% by December 2016.

### Using recycled materials

We use recycled materials for our packaging where they are proven by LCA studies to be equal or better in environmental performance, and do not jeopardise the quality, performance, safety or consumer acceptance of our products.

#### Total % of recycled material in our packaging

2015	28.1
2014	26.8
2013	27.1

In 2015, more than a quarter of our packaging was derived from recycled materials, but increasing that percentage is not easy due to a number of challenges. For instance, only 27% of the cardboard we use consists of recycled fibre, largely because its mechanical properties, such as strength and stiffness, are often inferior to virgin material. This means the thickness of the recycled cardboard required for cereal boxes would cancel out any environmental benefit. Recycled material can also contain contaminants, such as ink residues and mineral oils, preventing us from using it in direct food contact.

Recycled PET (rPET) is the only recycled plastic currently used in direct contact with food and beverage products. We use it in a number of countries where it has similar or better environmental performance than virgin PET, and where it helps incentivise consumers, communities and other stakeholders to collect and recycle packaging. For example, Herta uses 25% to 30% rPET in trays in France, and Nestlé Waters uses anywhere from 25% to 100% rPET in some regional and national brands.

Nestlé Waters North America has launched its [first 100% rPET bottle](#) in the United States. Bottles of Resource Natural Spring Water are now made entirely of recycled plastic, excluding the cap and label.



We believe that using recycled PET can help increase recycling rates by focusing attention on the value of recycling. Nestlé Waters has a strong history of sustainable innovation and product stewardship advocacy, and the 100% rPET bottle aims to continue that legacy by increasing awareness of closed-loop recycling."

#### Debora Fillis Ryba, Senior Manager of Sustainability, Nestlé Waters North America

Some materials such as steel, aluminium and glass are widely recycled, the performance of recycled material is virtually identical to virgin material and the recycling process consumes less energy than the production of virgin materials. In these sectors, all initiatives to improve collection and recycling directly contribute to increasing recycled content and to improving the environmental performance of our packaging.

## Nestlé Waters boosts recycled content in bottles in California



In October 2015, Nestlé Waters North America announced plans to significantly increase recycled content in the most popular sizes of its Arrowhead bottled water in California to demonstrate Arrowhead's commitment to recycling.

Arrowhead is partnering with Los Angeles-based CarbonLITE Industries LLC, one of the largest producers of food-grade, post-consumer rPET in the world, to deliver the programme. By the end of 2016, about 3.6 billion bottles of Arrowhead will be recycled.

Thanks to California's strong commitment to recycling – the 70% recycling rate for PET bottles far exceeds the national average of 31% – there is high-quality rPET available, enabling the company to increase its use of recycled material. rPET has been used in half-litre Arrowhead bottles for three years but Nestlé Waters North America will increase the use of recycled content by 38%, and ensure that most bottle sizes contain up to 50% recycled material.

This move will result in the reuse of about 18 million pounds of plastic bottles a year, reducing landfill waste and conserving natural resources.

### Nespresso: aluminium recycling

On the first anniversary of the launch of its sustainability strategy [The Positive Cup](#), Nespresso has reported significant progress towards achieving its [2020 sustainability goals](#). As part of this strategy, which also spans [sustainable coffee sourcing](#) and carbon-efficient operations, the brand aims to:

- Source 100% of virgin aluminium in compliance with the Aluminium Stewardship Initiative (ASI) [Performance Standard](#) by 2020;
- Have the capacity to collect 100% of used aluminium capsules, wherever the company does business; and
- Recycle the capsules collected in key European markets (Austria, Benelux, France, Italy and Switzerland) into new capsules.

Aluminium is highly recyclable, and recycling it uses 95% less energy than primary production, and produces only 5% of the GHG emissions. Nonetheless, in some markets, household aluminium packaging items below 70 mm in diameter aren't recycled because sorting centres lack the equipment able to process small packages.

We are working with numerous industries and governmental stakeholders to develop country-specific systems for the collection and recycling of used Nespresso capsules and other small aluminium packages. To make recycling as easy as possible for consumers, we have set up thousands of collection points across 34 countries. Thanks to this, our global collection capacity has reached about 85% in 2015, supported by doorstep collections of used capsules in 15 countries (meaning that 85% of our capsules are sold in the vicinity of a collection point).

The ASI standard was only announced at the end of 2014, which means verification systems have yet to be put in place. As a result, it is unlikely that certified ASI aluminium will be available before 2017.

In France, Nespresso has helped increase the infrastructure for recycling small-scale aluminium and steel packaging, like Nespresso capsules, bottle caps and aluminium foil, by:

- Co-founding a cross-sector organisation, the CELAA (the Club for Aluminium and Steel Light Packaging) gathering packaging companies, food processing groups, recycling companies and political stakeholders;
- Setting up an agreement with Eco-Emballages and the association of French cities' mayors to include used Nespresso capsules and other small aluminium packaging in its collection system; and
- Launching 'Project Metal', offering up to EUR 300 per tonne to incentivise packaging sorting centres to invest in equipment for separating small aluminium packages. The initiative helped Nespresso France to win the Best Environmental Initiative at the 'Trophées Défis RSE' in 2015.

### Partnerships, collaboration and research

Nestlé actively collaborates with academic and industry partners to develop a better understanding of the key issues affecting the environmental sustainability performance of renewably sourced materials.

- Nestlé continues to be an active member of the [WWF Bioplastic Feedstock Alliance \(BFA\)](#) and has contributed to a white paper on the [responsible sourcing of bioplastics](#), as well as to the BFA's position on biobased claims;
- We have collaborated with the CIRAI/Polytechnique Montréal on a white paper entitled [Circular Economy: A Critical Review of Concepts](#). This paper compares different approaches to measure sustainability, such as LCAs, industrial ecology, ecodesign, cradle-to-cradle and the circular economy. Differences and similarities between these concepts are studied, and their applicability assessed;
- Nestlé Waters is a founding member of the Biobased Chemistry Outlook Community, a group of industrial companies that support the French strategic consulting group BIPE in assessing the potential of biobased chemistry; and
- Nestlé Waters North America is partnering with the University of Florida, Keep Tampa Bay Beautiful and the US Environmental Protection Agency (EPA) to make the [Hillsborough River a Trash Free Waterway](#) in the United States. This work involves community engagement, goals establishment and metric development, and aims to reduce the impact of unmanaged waste on the environment.

Nestlé also supports innovative research by Imperial College London, exploring the development of catalysts that support the manufacture of CO<sub>2</sub>-based plastics.

### Extracting value from plastic waste

Processing plastic waste can be a challenge. We have been working with a specialised consulting company for three years to understand the different technologies available, or potentially available, for recovering value from mixed-plastic waste. Together, we have identified a number of technologies, focusing on pyrolysis and gasification – processes that turn plastics into liquid fuels and gas – and reviewed how different plastics found in the waste stream influence the performance, quality and yield of the fuel produced.

For example, Nestlé India sends plastic laminate waste for use as a fuel substitute in cement kilns; it has also installed a small-scale pyrolysis plant, converting plastic to oil in one of its noodle factories. This is currently being trialled on production waste, with the aim of accepting post-consumer plastic that has been collected in the surrounding community. Nestlé is exploring this same plastics-to-oil technology in the Philippines and Côte d'Ivoire.

In addition, Nestlé UK & Ireland is partnering with other companies and waste partners to explore the options for collecting flexible laminate packaging containing aluminium, so that the plastics can be recovered and converted into fuel, and the aluminium recycled. Trials began in 2015.

### Developing a consistent approach

A variety of initiatives have been undertaken to generate and disseminate guidance on design for recycling Nestlé packaging, and to ensure we remain at the forefront of best practice.

Our Packaging Environmental Sustainability Network, comprising 14 core team members and 220 affiliates, provides scientific support, information and training related to packaging environmental sustainability. In 2015, they helped train 1000 Nestlé employees on one or more of the focus areas covered by [The Nestlé Policy on Environmental Sustainability](#).

The network reviewed and integrated the ISO Packaging and Environment standards, as well as incorporating guidance on the use of recycled content and biobased materials into our internal guidelines for ecodesign. A guidance note on waste management and extended producer responsibility was produced to support Nestlé markets in ensuring that efficient packaging recovery systems are put in place.

## Transport and distribution

Every day, we transport more than 140 000 tonnes of products from 1600 warehouses to our customers. Travelling the equivalent of 269 times around the world every day, much of this distribution relies on partnerships with third-party logistics providers. They help us monitor our environmental performance and improve the efficiency of our network by reducing mileage, fuel consumption, greenhouse gas (GHG) emissions, noise and congestion. Our reporting spans the transportation of goods from factory to distribution centre to customer, covering 63% of the total product volume we distribute. All figures in this section are for 2014 – the latest data available – with the exception of the ISO certified data on [page 196](#).



### Our approach

As outlined in [The Nestlé Policy on Environmental Sustainability](#), our approach is to:

- Optimise distribution networks and route planning across our operations;
- Explore opportunities to improve transportation by switching modes of transport and trialling alternative fuels; and
- Expand driver training to address both safety and environmental efficiency (see [Our people](#) for information on road safety).

To further optimise our performance, we are focusing on increasing vehicle utilisation, reducing empty transport journeys and constantly reviewing our strategic distribution networks. For our own fleet operations, we are working to optimise route planning on an ongoing basis. Moving from traditional road transport to rail or short-sea freight, as well as switching to natural gas trucks, has the potential to further reduce our environmental impact in transportation. And in our warehouses, we are concentrating on reducing energy consumption and switching to renewable energy.

New technologies are crucial in every case, so we invest in innovations that will provide environmental and efficiency improvements.

We have set ourselves three new objectives to reinforce our efforts in reducing GHG emissions in our distribution operations and in our [major warehouses](#), and using [natural refrigerants in our new refrigerated trucks](#).

### Reducing emissions from transport and distribution

#### Our commitment



Provide climate change leadership

#### Our objective

- ⊕ **By 2020** – Reduce GHG emissions per tonne of product by 10% in our distribution operations versus 2014.

GHG emissions from our transport and distribution operations – specifically carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) – exceeded 3.1 million tonnes in 2014. We work to continuously improve our general environmental performance and, in particular, our GHG emissions.

We are working to cut fuel consumption and GHG emissions by improving the efficiency of our distribution networks – making better use of space in our vehicles, avoiding unnecessary miles and using more efficient modes of transport. Our new objective is to cut GHG emissions per tonne of product by 10% by 2020, using 2014 data as our baseline, and will report on initial progress in our next report.

#### Emissions from transport (estimated million tonnes of CO<sub>2</sub>eq)

2014	3.1
2013	3.1*
2012	3.2

\* The 2013 figures have been restated due to a refined reporting approach. The 2014 figures are the latest available at the time of publication.

#### Optimising vehicle capacity utilisation

Delivery vehicles that travel empty or with limited loads are inefficient and costly, so we are making a considerable effort to optimise vehicle capacity utilisation. Although the maximum load of a truck or container can be limited by the maximum weight or the maximum available volume, even a 1% improvement in load utilisation would reduce distribution costs by around CHF 50 million and reduce CO<sub>2</sub> emissions by 29 000 tonnes.

Our ‘no vehicle leaves empty’ approach is one of the key ways we improve environmental performance in transportation. We continue to optimise loads and route planning, combining inbound and outbound trucks to maximise backhauling. We also work with suppliers, retailers and other manufacturers to share vehicles where appropriate.

An initial pilot study conducted in 2014 with a limited number of markets shows that we have further opportunities to improve the usage of the available transport capacity. We are rolling out a standard reporting process that will enable us to track vehicle utilisation in every transport team across the Group by the end of 2016. For example:

- In 2014, Project Vector in India deployed load optimisation and visualisation software to assess the dimensions of incoming trucks, avoiding more than 2700 road trips, 2.4 million kilometres of travel and 1940 tonnes of CO<sub>2</sub> emissions, saving INR 90 million (CHF 1.44 million);
- In Australia, we have moved to using 88-pallet ‘high cube’ trucks to serve Eastern seaboard customers. The fuel-efficient, high-capacity ‘megatrucks’ have avoided 875 journeys per year, reduced CO<sub>2</sub> emissions by 22% and saved around AUD 1.1 million (CHF 880 000); and
- Project Maharaja has seen the introduction of the first 45-foot double-decker trucks in Malaysia to reduce congestion and delayed transportation between our factories and the national distribution centre. The trucks have cut the number of trips per day from 13 to 7, and halved CO<sub>2</sub> emissions from 72.6 tonnes to 35.0 tonnes a month.

### Avoiding empty trucks

We cooperate with our suppliers and customers on the use of delivery vehicles to avoid trucks being empty on a return journey. Transport Control Centres give the required visibility so that we can identify transport circuits that avoid the possibility of empty legs. After their successful installation in Brazil, we are now rolling out Transport Control Centres in other businesses.

### Transforming transportation to optimise load efficiency

Today, trucks and trailers are designed to operate in line with their maximum payload, but, increasingly, load efficiencies for each journey will need to be optimised. With this in mind, Nestlé is involved in an EU-funded project to develop innovative trucks and trailers that can be adapted to best suit the journey and conditions.

The TRANSFORMERS initiative – involving truck and trailer manufacturers, researchers and end users such as Nestlé – will run from 2013 to 2017. It is intended to improve the load efficiency of long-distance transport. By combining a hybrid-on-demand driveline with optimised loads and aerodynamics, the project hopes to demonstrate a 25% reduction in fuel consumption.

### Distribution networks

In 2015, we redesigned 10 distribution networks globally to improve efficiency. For example, in the Middle East, we are combining the import/export warehouse, the regional distribution centre (RDC) and part of the raw and packaging warehouse into one central distribution centre. This will lead to transport synergies, and empty trips will be significantly reduced by the use of an efficient shuttle transportation system. It is estimated to reduce the CO<sub>2</sub> emissions by around 2000 tonnes per year.

Similarly, in Italy, the merging of two distribution centres into one central site in 2014 reduced our distribution costs significantly and avoided around 1400 tonnes of CO<sub>2</sub> emissions. And in China, Nestlé Waters has lowered the average distance covered by 32% (from 447 km to 303 km) between 2010 and 2014. The company plans to decrease it further, to 250 km, over the next three years.

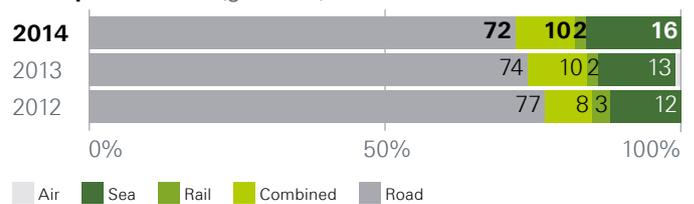
### Optimised route planning

Our biggest Nestlé-owned fleet is in the United States, where we deliver frozen products and water directly to stores, homes and offices. Our Direct Store Delivery (DSD) business for pizza and ice cream in the United States has completely revised all delivery routes by leveraging new routing concepts and optimising delivery distances, saving 3.8 million litres of fuel.

### Modal shift

In finding opportunities for more sustainable transportation options that reduce emissions, we continue to shift long-distance transportation from roads to rail and sea wherever we can. This helps avoid traffic congestion, cut costs, increase efficiency and reduce GHG emissions.

Transport modes\* (global %)



\* 2014 figures are the latest available at the time of publication. Due to rounding to one decimal place, the values might not add up to exactly 100%.

Through the EU Marco Polo project, we have committed to shift the distribution of more than 360 000 tonnes of petcare, water and cereal products from road to rail transport by 2016, using several scheduled rail services between Italy, France, Germany and Slovakia. This transport mode shift will take around 5000 trucks per year off the road and save EUR 2.7 million (CHF 3.2 million) over three years.

The latest route launched under the Marco Polo scheme is the Green Alpes project, which has demonstrated the benefits of distributing products between Italy and France by train. By working with local rail companies, Nestlé Waters France, CPW Italy and NPPIT have been able to exploit internal synergies by providing only Nestlé goods for distribution on 'company' trains. This should take 2800 trucks off the road, avoiding 2.3 million kg of CO<sub>2</sub> emissions and saving EUR 750 000 (CHF 900 000).

In particular, Nestlé Waters relies heavily on the rail network for efficient long-distance transportation. In 2014, around 30% of its European distribution was by rail, including 43% (by volume) of all water products in Italy and 33% in the UK. Nestlé Waters constantly reviews opportunities to shift to rail transport, and achieved a 10% improvement in the carbon efficiency of its transport since 2010.

And in Japan, Nestlé has been partnering with shippers and logistics providers to shift from road to rail transport and shipping. Outbound logistics began using rail transport in 2010 and we have promoted a full-scale modal shift since 2011, earning the Deputy Vice-Minister for Logistics Policy Award under the Excellent Green Logistics Commendation Programme in 2015.

### Sea freight: a winning formula in Thailand



For Nestlé Waters in Thailand, distribution to the country's southern region had previously involved 18-wheeler trucks and trailers driving from the Ayutthaya factory to Surat Thani province. But the costly 1000 km journeys took three days and sometimes, in the rainy season, flooded roads prevented trips altogether.

To increase market competitiveness and improve customer service, we opened a Regional Distribution Centre (RDC) in Surat Thani, the final destination of our traditional overland deliveries. Wary of the weather-related delays we had previously suffered, we also replaced road transportation with sea freight, reducing our carbon footprint. This approach also cut overall costs by more than 15% – approximately CHF 1 million.

Most importantly, with stock readily available in our RDC, this sustainable distribution approach has cut typical transit times to customers from days to hours. This gives us a crucial edge when it comes to sales and enables Nestlé to continue growing in the region.



In this extremely price-sensitive and competitive commodity market, especially in traditional trade in the south of Thailand, the difference between making and losing a sale is often decided by how quickly our distribution network can reach the food courts and 'mom and pop' neighbourhood stores before our competitors."

**Yimin Wu, Operations Manager, Nestlé Waters Thailand**

### Cumulative GHG savings by modal shift from road to rail/short sea, global estimates (tonnes of CO<sub>2</sub>eq saved)



\* The 2014 figures are the latest available at the time of publication.

### Cumulative GHG savings per tonne of product by modal shift from road to rail/short sea, global estimates (%)



\* The 2014 figures are the latest available at the time of publication.

## Fleet vehicles

We currently run a fleet of around 2000 trucks for ice cream and pizza deliveries. A variety of technology is used for the freezer cabinets, while our newer trucks now use eutectic freezer plates, which are cooled down overnight while the vehicle is stationed at the distribution centre.

The roll-out of telematics, such as GPS systems, on our vehicles is ongoing. In the United States, the telematics idle programme in our ice cream business was intended to cut our trucks' idling time by 25%, but it has actually reduced idling by 31% over two years, saving 200 000 gallons of fuel.

We are also continuing to expand driver training from both a safety and environmental efficiency perspective. Read more about [driver training](#).

### Using alternative fuels

As part of our efforts to reduce GHG emissions, we continue to explore the viability for using cleaner fuels. For instance:

- Nestlé Waters North America now uses 28 trucks powered by propane gas and plans to increase that number significantly in 2016 to more than 200;
- In Italy, Nestlé Waters made an agreement with its carrier to buy 10 liquified natural gas (LNG) trucks to transport Nestlé Waters' goods; and
- Nestlé Waters Thailand has a programme to increase its fleet of four natural gas powered trucks.

## Improving our warehousing

### Our objective

⊕ **By 2020** – Reduce GHG emissions per tonne of product by 10% in the 100 major warehouses we use versus 2014.

With lighting consuming up to 50% of the energy used in an ambient (i.e. unheated or uncooled) site, our warehouses present another opportunity to find operational efficiencies and cost savings, particularly with regard to energy use and GHG emissions. We focus on finding ways to make layouts and internal movements more efficient and to cut costs by improving lighting, heating, cooling and insulation.

One of our new objectives is to cut GHG emissions per tonne of product from our top 100 warehouses by 10% by 2020. In 2014 (the most recent data we have at the time of publication), we generated approximately 354 000 tonnes of GHG emissions from our warehousing. As our baseline year for reporting progress is 2014, we will report on progress against this objective next year.

In an attempt to improve the environmental performance of our distribution centres in Toluca and Lagos de Moreno in Mexico, we have taken advantage of natural conditions by installing prismatic domes in the roofs to capture more natural light and solar panels to generate energy. This provides about a quarter (26%) of the energy used by the distribution centres, reducing electricity costs by 21%. It has also cut annual CO<sub>2</sub> emissions by 4700 tonnes, the equivalent of taking more than 14 600 cars off the road.

In China, we have also seen the benefits of improved warehousing. The Hsu Fu Chi distribution centre in Dongguan was using 920 000 kWh of electricity in 2013 and emitting 918 tonnes of CO<sub>2</sub>. Efforts were made to reduce costs and improve environmental performance by enhancing natural lighting on site, and halving CO<sub>2</sub> emissions to 459 tonnes a year. Similarly, when business growth required a relocation of the Central Distribution Centre, Nestlé worked with logistics company Kintetsu World Express (KWE) to replace conventional lighting with energy-saving LEDs. We also installed 1890 roof-top solar panels. These generate 567 000 kWh of electricity a year – 45% for on-site use and the rest sold to the local grid – and they have reduced CO<sub>2</sub> emissions by 445 tonnes.

#### ISO 14001:2004 certification – distribution facilities



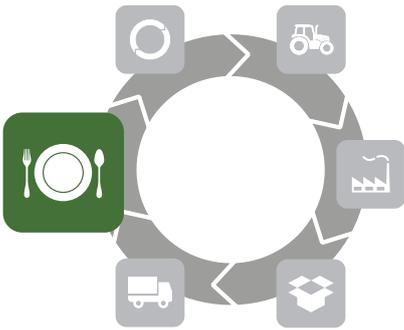
#### GHG emissions from warehousing – estimated tonnes



\* The 2014 figures are the latest available at the time of publication.

## Promoting sustainable consumption

We believe that we can raise environmental awareness among millions of consumers by using our brands at different touchpoints. In particular, educating consumers about the environmental impacts associated with product use and end-of-life disposal offers the greatest opportunities to promote more sustainable consumption. Therefore, we aim to provide consumers with meaningful, accurate and credible information about the environmental performance of our products and services, based on scientific and substantiated evidence, so they can make more informed choices.



### Our commitment



**Provide meaningful and accurate environmental information and dialogue**

### Our objective

- By 2016 – Fact-based environmental information will be accessible to consumers in all countries, enabling them to make informed choices and improve their own environmental impacts.

We are committed to continually improving our products' environmental performance throughout the [product life cycle](#). Given the significant opportunities to improve the environmental sustainability performance of a product during its use and at the end of its life, we give our consumers product information based on substantiated evidence. We use a variety of relevant contact points, from on-pack to online and mobile channels, to explain the complex topic of environmental sustainability to non-specialists, and make science-based environmental information accessible to consumers at corporate, market and product brand level in 119 countries.

We also support and shape the development of communications best practice and standards, working in collaboration with industry and government, as well as leading forums such as the European Food Sustainable Consumption and Production Roundtable and FoodDrinkEurope. We are actively supporting the European Commission's Environmental Footprint pilot by participating in the steering committee and

in three pilot projects for packed water, coffee and pet food. In early 2016, we will start testing different communication vehicles to provide business and consumers with the results of the pilot.

In 2014, there was significant demand from our markets for CSV 'Doing More' brand-led workshops, and 11 sessions were conducted. They are designed to help brand teams understand how the brands they work with can contribute to Creating Shared Value in a relevant, compelling and motivating way and, in turn, how this narrative can contribute to brand preference and consumer trust. The one-and-a-half-day workshops resulted in brand teams formulating action plans for effectively communicating their brands' contribution across the three key dimensions of nutrition, environment and society. During 2015, we have focused on preparing and implementing these action plans.

We also use a web-based tool, NESECA (Nestlé solution for the Environmental and Social External Communications Approval), to improve the accuracy of external environmental and social communications, accelerate the existing internal validation process and provide our markets with a global archive of relevant communications.

### Product labelling

Many of our products across a range of categories carry on-pack messaging to highlight aspects of environmental sustainability such as optimised packaging, recycled content or renewable energy use. Some feature the responsibly sourced ingredients they contain, the methods used to produce them, local production, and the adherence to third-party standards and certifications. Others emphasise recycled content and the recyclability of packaging materials, or inform our consumers of the most resource-efficient way to use the product.

## Going 'beyond the label'

We see opportunities to build consumer interest in environmental issues by using smartphone and other mobile technology to go 'beyond the label'. We are rolling out QR codes across our product portfolio, linking to mobile-friendly websites, which give consumers other relevant, user-friendly content.

Depending on the product, the information – aligned with local regulations, industry agreements, and internal standards and policies – may include tips on sustainable consumption and product use, from advice on avoiding food waste to guidance on reusing, recycling or disposing of packaging. And if we have carried out a full LCA of the product range in question, we provide a summary of the independent scientific information about the product.

For example, in Chile, *Nido* and *Milo* have microsites, accessible by scanning on-pack QR codes with a smartphone. These not only offer expert nutritional advice, but also promote the reuse of packaging, and provide educational exercises and games for children.

 **Read more** in [Nutrition, health and wellness](#) here.

## Going beyond the label: *Nescafé Gold Blend First Harvest*

Colombian coffee trees are suffering from an outbreak of leaf rust, a fungal disease that causes trees to lose their leaves and affects yields. Through the [Nescafé Plan](#), *Nescafé Gold Blend* has provided 13 million coffee disease-resistant trees to farmers in the Valle del Cauca region of Colombia between 2010 and 2013. Working with the Colombian Coffee Growers Federation (FNC), we have distributed plantlets grown from seed in local nurseries, and worked with our farmers to improve farming practices. We have also set up new schemes for coffee farmers and increased the number of community projects focused on education, public health and water supplies.

We have highlighted our efforts to UK consumers with a limited edition pack design, supported by posters, social media posts, and print and PR coverage, as well as promotional activity in store. We also invited two journalists from *The Times* and *The Irish Times* newspapers to Colombia to see our work for themselves.

The overall campaign helped sell 100 tonnes of the product within eight weeks and raise awareness of the *Nescafé Plan*. It also enabled us to drive the reappraisal of *Nescafé Gold Blend*, and around two-thirds of those surveyed felt either 'positive' or 'very positive' towards *Nescafé Gold Blend*\*.



\* Source: Ad tracking report, Millward Brown, July 2014

## *Winiary*: sharing the sustainable beetroot story

In 2012, Nestlé Poland and the School of Agricultural, Forest and Food Sciences worked together to assess the sustainability of five farms supplying beetroot to Nestlé. Using the [RISE](#) tool, the ratings for 50 sustainability parameters were condensed into 10 scores for key sustainability areas. Those that were seen as most in need of addressing were nutrient flow (low levels of organic matter in the soil); energy and climate (the farms' dependency on fossil fuels); and biodiversity (little motivation to create or maintain ecological diversity).

An action plan was devised, involving improved fertiliser application and water use for irrigation, better on-farm organisation, and the increased use of renewable energy sources such as solar, wind, water and biodigesters. Annual farmer workshops were also established, in cooperation with Krakow University.

Now, packets of *Winiary* red borscht carry a QR code, giving consumers access to online information about the improved sustainability of beetroot production in Poland. Supplemented by television and digital campaigns featuring the testimonials of local farmers, this has resulted in 7.9% organic growth and a 1.4 percentage point increase in market share.

## Consumer behaviour change campaigns

We believe we can make the greatest difference by encouraging people to behave more sustainably and by engaging with them about how we can [all recycle more, save energy, use fewer natural resources and consume less water](#).

The importance of engaging consumers in particular is reflected in the many initiatives in which we are engaged around the world. Nestlé Waters is particularly active in this area and has established the R-Generation (Recycling Generation) to encourage recycling behaviour change (see the case study overleaf). PET bottles are 100% recyclable and can be used to make carpets, clothing, automotive parts and construction materials, as well as new bottles, so we are raising awareness of their economic, social and environmental value when they are treated as a resource rather than a waste stream.



## Educating the R-Generation

To help Nestlé Waters improve the environmental performance of our packaging, we encourage PET recycling by raising awareness and supporting collection programmes. We focus our efforts towards consumers – particularly children – but also waste collection and recycling companies, other beverage producers and employees. In addition, we are using our R-Generation movement to encourage recycling behaviour in schools, most recently in Italy, Argentina and the UK.

Italy was the first market to develop an R-Generation programme through a campaign to 'Collect the plastic, sow the future'. This awareness-raising initiative and competition launched in the primary schools of Milan, Turin and Naples in 2013 encourages children aged 8 to 11 to collect PET bottles and other 100%-recyclable packaging. During the 2014 and 2015 campaigns, nearly 30000 children in 108 schools collected 40 tonnes of PET. The R-Generation campaign in Italy also engages the children through an [R-Generation website](#), which contains information about waste collection and recycling.

The 'Tunuyán verde' campaign, launched in the Mendoza region of Argentina in October 2014, seeks to reduce the number of PET bottles ending up in local canals, rivers and ditches. The municipality – supported by Nestlé Waters and Intermunicipal Consortium Centro (COINCE) – provide primary schools with containers for collecting used plastic bottles; these are then segregated, compacted and sold for recycling, and the money raised buys books, computers, furniture and equipment. Nestlé Waters' role involves consultancy and community relations and producing campaign and collection materials. The second round of the campaign was announced in June 2015, involving children from 10 secondary schools.

With the involvement of Nestlé employees, children in the UK have been learning about the importance of recycling, the range of products that can be made from rPET, and how they are made. This was supplemented by a successful recycling poster competition. We are now working with two partners, RECOUP and WasteBuster, on a further recycling education programme in Buxton. Teacher packs, sent to all 11 schools in Buxton, are also available to download from the [WasteBuster website](#).

## Assessing effectiveness

To understand how we are perceived and how well our information has been received, we continuously review consumer feedback, carry out brand research and keep abreast of leading external studies. We also use Twitter and other social media to engage with consumers on environmental issues that matter to them.

We've also been successful in a number of leading third-party environmental and sustainability rankings and indices. There are encouraging signs that we have been recognised by external stakeholders for communicating effectively with consumers about environmental issues.

For example, Nestlé ranked 52<sup>nd</sup> out of 100 selected companies, up two places from 2014, with a 7% increase in brand value, in Interbrand's index of [Best Global Brands 2015](#). *Nescafé* was ranked 36<sup>th</sup>, also up two places, with a 7% improvement in brand value. The index measures environmental performance against consumer perceptions, and a positive score indicates that 'a brand is doing more than it is given credit for'. Nestlé was also ranked 18<sup>th</sup> in the most recent [Best Global Green Brands](#) index, last compiled in 2014. The index measures environmental performance against consumer perceptions, and a positive score indicates that 'a brand is doing more than it is given credit for'.

When consumers were asked to rate us on the statement 'Nestlé cares for the environment', we performed better than the market average in 24 out of 33 countries (Corporate Equity Monitor, 2015); Nestlé also significantly outperformed the best competitor in 15 of those markets. Only one market (Japan) recorded a score significantly below the market average.

### Number of countries where we performed better than the industry average on the statement 'Nestlé cares for the environment'



## Helping customers make informed decisions

[Nestlé Professional](#) has created an easy-to-use tool that helps restaurants, caterers and other out-of-home providers understand the environmental impacts of providing coffee to employees or customers. Developed with specialist waste management company SWR, it provides compelling facts about the true environmental and economic costs to business and society, and provides practical suggestions tailored to Nestlé Professional's customer base for reducing, reusing or recycling.



## Solis: committed to responsible business practices



The Spanish market for tomato-based sauces is perceived to have a low added value. Therefore, to strengthen the *Solis* brand through a commitment to both consumers and the environment, the *Solis Responsable* programme was launched. This combines three elements:

- Nutritionally balanced products using natural flavours and no added preservatives;
- Responsible local sourcing of ingredients, using only tomatoes from Vegas del Guadiana in southern Spain; and
- Continual improvement in environmental performance.

The tomatoes used in *Solis* products are grown under the strict rules of the Extremadura region, promoting best-practice agricultural process that lead to high-quality products while respecting the environment. By using soil moisture sensors and applying crop rotation techniques, farmers have increased yields, improved water efficiency and cut the use of fertilisers and pesticides. Going forward, we will establish best-in-class performance indicators for leading tomato farmers.

To boost consumer engagement, the brand's 'Urban Garden' promotion involved new packaging and point-of-sale material, social media campaigns through Facebook and YouTube, and participation at the biggest European children's event, helping generate almost 80000 website visits in the first month.

As a result, organic growth rose by 2% in a challenging market, which saw 165500 more packs sold, and brand awareness increase by 18%.

We are also working with Conesa and Fundación Global Nature in the Badajoz region to further improve the environmental performance of tomato farming in the region, assessing the farming practices of 20 leading farms (covering 1000 hectares) and visiting farms in Italy to share best practice.

# Waste and recovery

In a world facing increasing constraints on natural resources, our long-term goal is simple but ambitious: zero waste for disposal. We're making progress against a number of interim targets by preventing and minimising the waste we generate in the first place, by avoiding food wastage and improving resource efficiency along the value chain. Where possible, we also look to reuse materials and create value from them – through energy recovery or creating new uses for by-products.

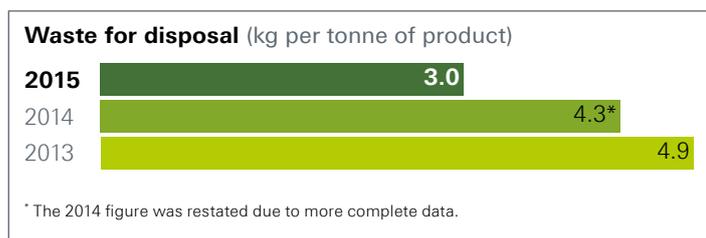
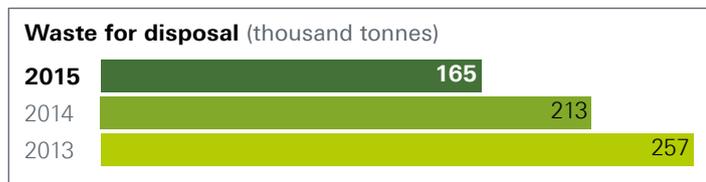


## Our approach

The [Nestlé Policy on Environmental Sustainability](#) states that 'specific to our food and beverage business...we focus on zero waste'. Through the application of [Nestlé Continuous Excellence \(NCE\)](#) initiatives, we look to improve resource efficiency, quality and productivity in our operations: doing more with fewer resources and less waste.

## Waste for disposal

In 2015, Nestlé reduced waste for disposal by 28% and, since 2005, we have reduced total waste for disposal by 62% to 165 000 tonnes, and disposal per tonne of product by 75%. Only 1% of the waste we generate – such as detergents, oils, fuels and grease – is classified as hazardous, which is managed and disposed of in accordance with local regulations and standards worldwide. Of the waste we disposed of, 91% went to landfill, 4% to incineration without energy recovery and 5% to other methods of disposal.



## Towards zero waste for disposal

### Our commitment



**Improve resource efficiency in our operations**

### Our objectives

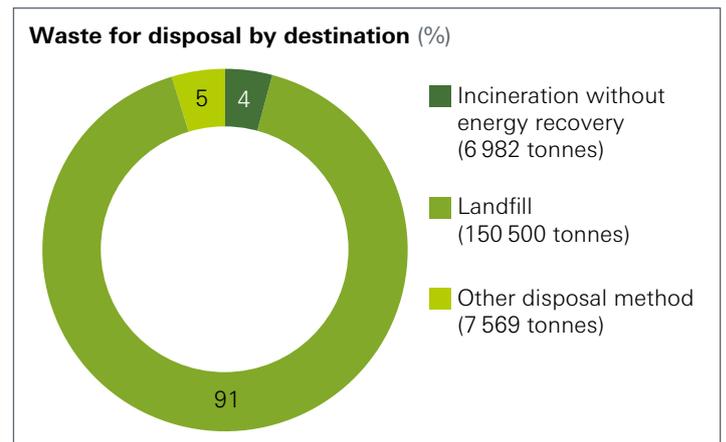
- **By 2015** – Achieve zero waste for disposal in 10% of our factories.
- ⊕ **By 2020** – Achieve zero waste for disposal in our sites.

Waste for disposal is defined as any material that leaves a Nestlé-managed location and is destined for final disposal with no economic or ecological value. It includes landfilling and incineration without energy recovery.

Using best practice from those markets where we do have sites with zero waste for disposal, we have developed a Zero Waste for Disposal Guideline. This guideline helps sites:

- Understand the challenges faced by some Nestlé sites in their journey towards zero waste for disposal;
- Discover the recycling, recovery and reuse destinations of different materials such as coffee grounds, tea leaves and coffee capsules;
- Compare the economic costs and benefits of achieving zero waste for disposal; and
- Share tools and examples of best practice implemented across Nestlé to help all our sites prevent, reuse and recover waste for disposal and by-products.

Our overall ambition is to work towards the point where no materials generated in any Nestlé-managed site go to landfill or are incinerated without energy being recovered. At the end of 2015, 105 Nestlé factories (22%) achieved zero waste for disposal.



## All US factories achieve zero waste to landfill

In April 2015, Nestlé USA announced that all of its 23 factories – spanning confectionery, dairy, frozen and refrigerated meals, ice cream, baking ingredients and beverages – are landfill-free, contributing zero waste for disposal. This important milestone supports Nestlé USA’s commitment to environmentally sustainable business practices.

As part of this effort, Nestlé USA is continually looking for new ways to reuse, recycle and recover energy when disposing of manufacturing by-products. The company’s current efforts include composting, recycling, energy production and creating safe products for animal feed.

Employees also engage in recycling programmes and partnerships with third parties that dispose of manufacturing by-products in line with our environmental sustainability guidelines and standards. All our US factories employ ISO 14001-certified environmental management systems to help manage their environmental impacts, including waste elimination.

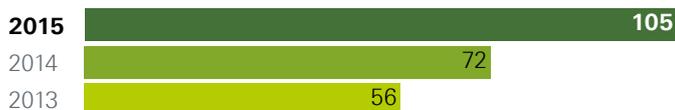


This is an especially noteworthy achievement given the breadth and complexity of our manufacturing operations. We are committed to working with our employees to ensure our factories remain landfill-free and are striving for new ways to reduce our environmental impact at each stage of the product lifecycle.”

**Paul Grimwood, Chairman and CEO,  
Nestlé USA**

In almost all the countries where we have operations, alternatives to landfill or incineration without energy recovery exist but, in many locations, the infrastructure to make it possible is insufficiently developed. This makes it challenging to achieve our ambition of zero waste for disposal at every site. Nonetheless, having exceeded our 2015 goal to achieve zero waste in 10% of Nestlé factories two years early, we have now set ourselves a new stretching objective: to achieve zero waste for disposal in all sites by 2020.

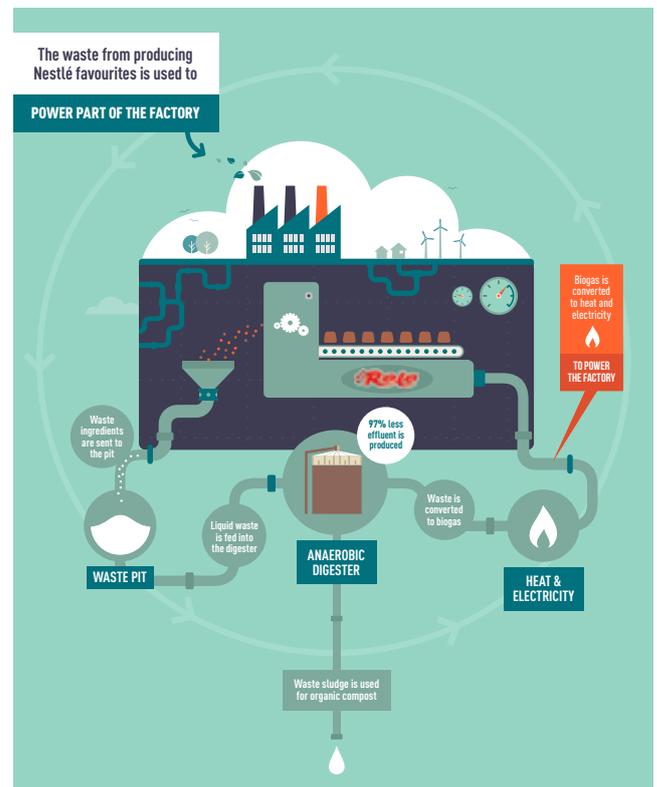
### Number of factories with zero waste for disposal



## How one UK factory achieved zero waste

On the outskirts of Newcastle upon Tyne in the UK, Nestlé’s factory in Fawdon has achieved zero waste to landfill by turning waste from the confectionery site’s manufacturing processes into renewable energy and clean water through anaerobic digestion (AD).

Every day, up to four tonnes of solid waste residues – a mixture of rejected chocolates and sweets, along with leftover residues of starch and sugar – are broken down and partially dissolved using 200 000 litres of liquid waste from the site’s cleaning processes to create a ‘chocolate soup’. This is fed into an oxygen-free AD tank, where bacteria break down the biodegradable material and convert it into by-products such as biogas, which is used to meet 5% to 8% of the site’s energy needs. As well as generating renewable energy, the water discharged from the factory is now virtually clean.



See [Full-size infographic \(PDF, 700 KB\)](#)

Nestlé also has anaerobic digestion technology at its coffee factory in Orbe, Switzerland, and we are installing it at our Henniez water factory in the Broye region of Switzerland, taking us closer to having zero waste for disposal in our factories by 2020.

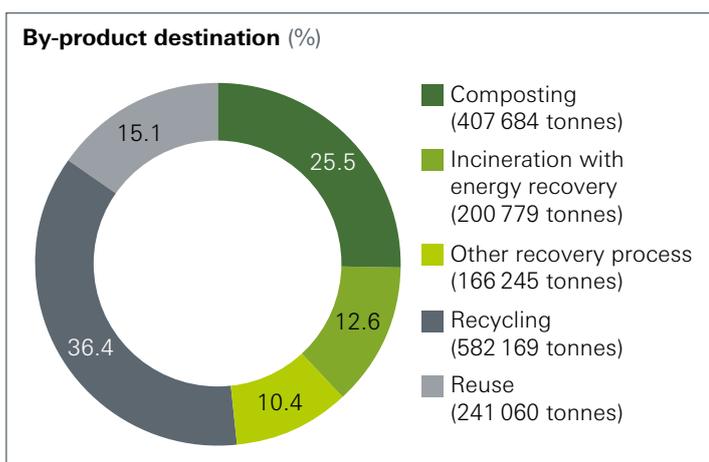
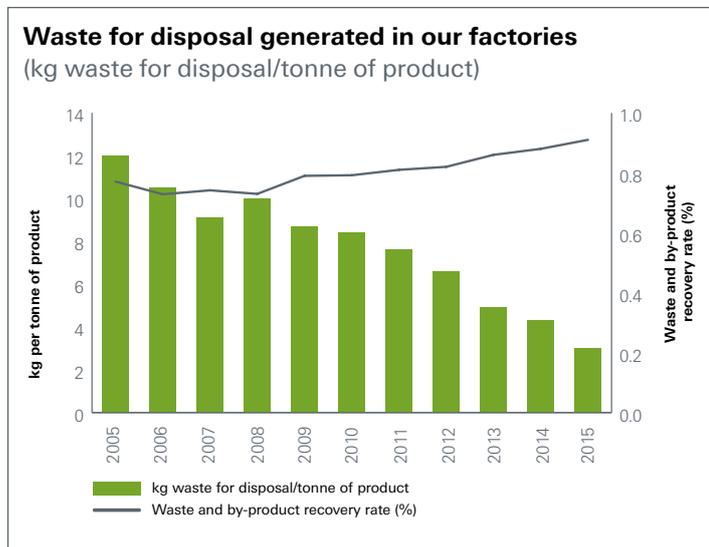
## Recovery of by-products

A by-product is any material that leaves a Nestlé-managed site and is destined for reuse or recovery; this includes recycling, composting and incineration with energy recovery.

In 2015, we recovered 91% of the materials that arise from manufacturing. And of the waste we disposed of, 91% went to landfill, 4% to incineration without energy recovery and 5% to other methods of disposal.

### Material recovery and disposal rates (%)

	2005	2014	2015
Materials recovered	85	88	<b>91</b>
Materials disposed of	15	12	<b>9</b>



We've begun a detailed analysis of the waste and by-products generated by our manufacturing facilities, to highlight best practice across our markets and identify opportunities to transform waste streams into useful by-products. For example:

- **Composting:** the Shimada factory in Japan recycles some of the coffee grounds produced during the coffee manufacturing process by fermenting them and turning them into soil, which is donated to the city's Rose Hill Park and local schools;
- **Incineration with energy recovery:** in 22 Nescafé factories, we use the spent coffee grounds resulting from the manufacturing process as a source of renewable energy; and
- **Animal feed:** in Japan, our zero waste *KitKat* factory in Kasumigaura turns all its food waste into animal feed, sending it to local ostrich, pig and dairy farms.

## Reducing food loss and waste

About one-third of global food production is either wasted or lost every year. Food waste not only generates unnecessary greenhouse gas emissions and wastage of water but also affects farmer income, and the availability and cost of food.

In developing countries, this occurs largely in the upstream supply chain, while in the developed world, it is more concentrated downstream, between the retailer and the consumer. Addressing food loss and waste is a crucial part of the journey towards being able to feed an estimated 8 billion global population by 2030 and 9.6 billion by 2050, according to the UN.

We are committed to continuing to reduce food loss and waste. Not only will this help us secure supplies of the agricultural raw materials we need, but it will also have a positive impact on society by supporting rural development, water conservation and food security.

## Our actions to reduce food waste



### Research and development

Our plant science initiatives support the development of varieties of coffee and cocoa plants that are higher yielding, and more drought and disease resistant, reducing the number of plants that farmers lose to disease or climate-related issues.

Nestlé assesses and optimises environmental performance, including that related to food wastage, throughout the value chain from the earliest stage in the development of new or renovated products. For example, we initiated a research project in France to define the carrot cultivars that best match consumer preferences. The project resulted in more uniformly shaped carrots, which reduces waste in harvesting, and higher dry matter content, which reduces waste in processing and improves efficiency.

Nestlé's R&D network also looks for innovative waste-recovery options to optimise value. In our Product Technology Centre in Orbe, Switzerland, Nestlé was authorised by veterinarian services at a regional (canton) level to use cereal by-products as feed for cattle or pigs.



### Agriculture

Nestlé supports the farming communities where it sources agricultural raw materials. We provide technical assistance to help avoid pre-harvest losses through yield improvement and reduce post-harvest losses through optimising the delivery of raw materials to the factory.

In the milk supply chain, we've provided cooling facilities to farmers in developing countries that have reduced milk losses, thereby saving water, energy and GHG emissions, as well as money. In Pakistan, in the district of Renala, we have more than halved the losses of milk between the cooling facilities and the factory. And our Grains Quality Improvement Project is working towards a 60% reduction in mycotoxin contamination levels in the cereal grains we source for our cereal brands in Central and West Africa. This is being achieved through a combination of good agricultural, drying and storage practices, and capacity-building training sessions from Nestlé agronomists. In 2015, 14660 African farmers were trained and are now able to produce grains with mycotoxin levels within Nestlé standards (four parts per billion), meaning less grain is thrown away.

Similarly, up to 30% of the rice and maize used to make Nestlé infant cereals in Central and West Africa were being lost to mould when stored and handled inappropriately in the humid environment. Nestlé Nutrition provided intensive training to 30000 farmers on proper harvesting methods and even employed a theatre group to share best practice in an engaging way.

In Brazil, Nestlé's NATA (Centre of Authorised Technical Assistance) programme is helping dairy farmers to better manage their farms and avoid pre-harvest losses through sustainable improvements in yield. Nestlé is working with local institutes to train farmers to further increase milk production and quality, while meeting the terms of [The Nestlé Supplier Code](#) and the Nestlé [Responsible Sourcing Guideline](#). Agronomists visit farmers periodically to monitor dairy activities and help them make informed decisions to improve their profitability, environmental and social performance, and sustainability. The 900 farmers participating in the programme have more than doubled the growth rate of milk production.



### Factories

In our factories and distribution centres, our goal is zero waste for disposal by 2020; currently, this has been achieved in 105 factories. We are also working towards maximising the value of recycled or recovered materials from our operations, and provide donations to food banks in 20 countries.



### Packaging

We are committed to optimising the environmental performance of our packaging, and we are working to ensure that the environmental benefits from packaging improvements are not outweighed by increased product losses due to under-packaging. Packaging helps prevent losses resulting from breakage and spoilage, so we're developing methods that are more resistant to tearing, punctures and other damage. For example, water bottles can be damaged during transportation due to the low stability of pallets and the force exerted on the load by stretched film. By changing the wrapping parameters of the stretch film, increasing the pallet stability and better controlling the film force, package damage has been more than halved in Poland, saving half a million bottles per month.



### Distribution

We are taking steps to improve our demand planning – supporting manufacturing efficiency, reducing wastage due to age or obsolescence, optimising our inventory management and ensuring fresh products at point of sale. And we're using our expertise and new technology to avoid food wastage in our distribution operations.



### Consumers

Offering consumers storage guidance and preparation instructions are important factors in reducing waste, so we provide clear instructions on our packaging, as well as on product and brand websites, to raise awareness among consumers on the issue of food wastage. Products carry the slogan Portion Guidance.

We've also been developing creative solutions that can help consumers make the most of leftovers. These include a range of different doughs (pizzas, pasties, etc.) that can be filled with leftover food from the fridge while in France, *Maggi* has brought out a smartphone leftovers app full of top tips and recipes. *Maggi* Soups in India also has a microsite that is accessible by scanning on-pack QR codes with a smartphone.

Nestlé Professional has developed a range of online courses for hospitality and food service customers in the UK and Ireland, including one focused on waste management issues that provides practical suggestions for reducing, reusing and recycling waste.



### Employees

We use employee engagement campaigns to raise awareness and reduce food wastage in our canteens and factories. At our headquarters in Vevey, Switzerland, employees were encouraged to take reasonable portions at the self-service restaurant and given the opportunity to buy any leftovers to take home; in six months, food waste fell by a third. And at our Product Technology Centre in Orbe, employees could take an online quiz on food loss and wastage.

## Nestlé and food banks in Mexico



In Mexico, 27 million people (one in four) live in food poverty yet a third of the food produced in the country is wasted<sup>8</sup>. Our policy stated that a product with less than one month before its expiration date could not be sold and had to be used as animal feed or destroyed. But when the non-profit NGO Bancos de Alimentos de México (BAMX) started operating food banks, channels for distributing products that we couldn't sell, but were still suitable for human consumption, were established and accordingly, we aligned our policies with these changes. Through our alliance with BAMX, running since 1999, we have provided 120 million meals since 2006, to around 700 000 low-income consumers a year, as well as improving their nutrition knowledge and the quality of their diet in many cases. A survey by Monterey Food Bank and Universidad Autónoma de Nuevo León, supported by Nestlé, showed that our strategy takes more than 70% of children under 13 years out of malnutrition within one year.

## Committed to reduce food loss and waste

Our efforts to coordinate our food wastage initiatives across our value chain, share good practice and guide multi-stakeholder initiatives are coordinated by our Nestlé Zero Food Wastage Taskforce, which met three times in 2015.

Its main achievement in the past year has been the launch of The Nestlé Commitment to reduce food loss and waste. This addresses food loss and waste through responsible sourcing, zero waste for disposal in our sites, educating consumers and employees on reducing food waste, and engaging with key stakeholders – such as regulators and scientists – to develop and implement solutions. The initiative was launched during the annual meeting of SAVE FOOD, an organisation set up by Messe Dusseldorf, the Food and Agriculture Organization (FAO) of the United Nations and the United Nations Environment Programme (UNEP) to combat food losses and wastage. The 2015 meeting was hosted by Nestlé at our headquarters in Vevey, Switzerland.

<sup>8</sup> Source: <http://www.expoknews.com/700000-mexicanos-son-beneficiados-con-el-programa-alimenta-de-nestle-y-banco-de-alimentos/>

## Every Crumb Counts



We support consumers' efforts to reduce food waste through our product development, packaging and [appropriate portion sizes](#). By assessing the extent of, and reasons for, food wastage among Nestlé employees – acting as consumers – participating in the Every Crumb Counts challenge allowed us to identify which food groups were wasted most often, and the reasons associated with such waste.

To help raise awareness of food wastage issues and to assess food waste behaviours among Nestlé R&D employees, we created and undertook the Every Crumb Counts challenge across six R&D sites (Orbe, Singen, Konolfingen, York and Beauvais, and the Nestlé Research Center in Lausanne) in June 2015. Participating employees had to complete an online food waste diary over two non-consecutive weeks; during the intermediate week, tips and guidance on reducing waste were shared through posters, videos and a chatroom.

A total of 217 employees reported their food waste in both weeks. The total waste recorded was 153 kg, and the average waste per participant dropped from over 75 g/day in week 1 to 46 g/day in week 2. Our York site achieved the lowest average waste during the second week (24 g/day) and the biggest reduction from week 1 (70%).

Across the test, fruit and vegetables were the most wasted food, followed by starchy foods such as pasta and rice, and food was most often wasted because it was out of date, or due to oversized portions. The environmental impact associated with the total food waste reported during the challenge was equivalent to the CO<sub>2</sub> emissions from driving 2000 km and using 90 bathtubs of water.

In all six Nestlé sites, participants reduced their food waste during the assessment, indicating that the simple awareness of high food waste levels can trigger behaviour change. The data collected during the challenge will help us prioritise the food categories where we can support consumers in reducing food waste.

## The Food Waste Resolution

Complementing our own commitment, we have joined other members of the Consumer Goods Forum ([CGF](#)) in resolving to halve food waste across our operations by 2025 against a 2016 baseline. The [Food Waste Resolution](#) was announced at the CGF Global Summit in New York in June 2015.

In addition, CGF members will also contribute to meeting the United Nations' [2030 Sustainable Development Goals \(SDGs\)](#) where they relate to food waste, such as Goal 12.3: 'By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.' Read more about [the SDGs](#).

The CGF also announced the launch of a [toolkit and digital platform](#) that provide real-life examples of what its members have achieved to inspire other companies looking to do more.



The resolution on food waste demonstrates our willingness to engage and take action in an area where a collective industry effort can make a difference."

**Paul Bulcke, Chief Executive Officer,  
Nestlé and Co-Chair of the CGF**

### Other multi-stakeholder partnerships

We are actively involved in a number of other multi-stakeholder initiatives to reduce food loss and waste, at a global and national level. These include:

- On behalf of the CGF and together with the WRI, UNEP, FAO, the WBCSD, the European Commission and Waste & Resources Action Programme (WRAP), steering the development of a major global and recognised protocol to measure food loss and waste, in a coherent way throughout the food chain (see case study below);
- Chairing the Environmental Sustainability Committee of [FoodDrinkEurope](#), leading the design of the Joint Food Wastage Declaration, 'Every Crumb Counts' (see case study) and contributing to the *Preventing food wastage in the food and drink sector* report into how European food and drink manufacturers are tackling food wastage within their own operations and throughout their supply chains;
- Backing [UNEP's Think.Eat.Save campaign](#) to encourage people to reduce their 'foodprint';
- Membership of the Grocery Manufacturers Association-led [Food Waste Reduction Alliance](#), which aims to decrease food waste sent to landfill in the United States;
- Participation in the EU FUSION project to avoid food wastage;
- Helping develop the FAO toolkit 'Reducing the Food Wastage Footprint'; and
- Nestlé USA joining the US EPA's [Food Recovery Challenge](#), and pledging to keep track of food inventories, setting a goal to reduce overall food waste, and being recognised in the [EPA's](#) blog as a leader in the food recovery effort.

## Providing climate change leadership

With the highest carbon dioxide levels in years, the resulting changes in climate may threaten global food security in general, and our business in particular. The long-term supply of safe, high-quality ingredients for our products may be affected as crop yields fall and production areas shift. And the ability to manufacture or distribute food products may be hampered by extreme weather events such as floods and storms. That's why climate change is a material issue for Nestlé, and why our response to climate change across the value chain is a holistic one.

### Our approach

The food and drink sector relies on a secure and sustainable supply of raw materials. Changes in climate and weather patterns can impact the sector significantly, affecting food security and price stability. The scale of the challenge is such that climate change initiatives require broad-based commitment and multi-stakeholder effort.

Climate change is deeply integrated into our company-wide risk management processes, and we are committed to providing climate change leadership while continuously making efforts to improve the environmental performance of our operations.

Our commitment goes beyond reducing the air emissions of our operations, and those associated with the production and distribution of our products. It includes climate change adaptation, responsible [water stewardship](#), as water availability and security is where climate change will become apparent first; it also encompasses striving for [zero waste](#); using [energy and resources](#) efficiently; switching to [cleaner fuels](#); investing in and utilising sustainably managed [renewable energy sources](#); and [optimising distribution networks](#).



We commit to set science-based GHG emissions reduction targets and to focus on climate change adaptation because this is fully aligned with our own explicit commitments, which reflect our respect for the society in which we operate, respect for the environment and respect for future generations."

**Paul Bulcke, Chief Executive Officer, Nestlé**

### Mapping milk loss and waste in Pakistan



To further understand and reduce the waste occurring in our supply chain, we initiated a milk waste mapping exercise in Pakistan, applying the WRI Food Loss & Waste Protocol (see above). The Pakistani dairy sector was chosen because of its complexity, the high volumes involved and because it provided an opportunity to test the efficiency of our [dairy hub model](#).

Working with external consultants, we mapped the value chain from farms to consumers. In total, Nestlé processes 480 kilotonnes of milk a year, sourced mainly from traditional small farms but also some larger operations. Before reaching our factories, the milk transits through village milk collection and chilling centres; after processing, 90% of it is sold through traditional trade channels.

For each stage of the value chain, we analysed all potential causes of wastage. Losses were quantified (either through interview or direct observation) and extrapolated across the supply chain. Milk reused elsewhere in the supply chain (for example, as animal feed) was counted as a loss.

Results were impressive. The total milk loss in our supply chain was estimated to be only 1.4%, significantly lower than other estimates (approximately 15% to 19% of the milk sold by Pakistani farmers is wasted en route to market, according to an Asian Development Bank report of 2004). This is due to the cooling, storage and transport systems we have in place.

In addition, sharing best practice between farmers contributes to increased milk production and less milk being rejected by chilling centres, while improved management at the retail stage could further reduce product losses.

For example, we:

- Help the farmers who supply our raw materials use water more efficiently;
- Provide investment assistance for biogas digesters in dairy farms;
- Optimise recipes and packaging to reduce the carbon footprint of Nestlé products along their value chain; and
- Help [consumers](#) reduce their energy consumption and emissions when they prepare them, such as with our energy-efficient *Nespresso* and *Nescafé Dolce Gusto* machines.

As well as reducing GHG emissions, we also help agricultural and production systems become more resilient to the changing climate. This includes the training on sustainable farming methods that we provide to our suppliers through initiatives such as the [Nestlé Cocoa Plan](#), the [Nescafé Plan](#) and [Nespresso's AAA Program](#), and the development and distribution of high-yielding disease- and drought-resistant species of cocoa and coffee. We have made a [commitment on no deforestation](#) that aligns with the CGF's goal to achieve zero net deforestation by 2020.

Furthermore, we proactively engage with governments, industry and civil society to make continuous progress, and actively contribute to global dialogue and industry initiatives.

## Reporting

### Our commitment



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

### Our objective

- ⊕ **By 2016** – Provide climate change information in our *Annual Report* package using the Climate Change Reporting Framework developed by the Climate Disclosure Standards Board.

We already provide climate change information in mainstream corporate filings and reports, in conformance with the Climate Disclosure Standards Board (CDSB) [Climate Change Reporting Framework](#) requirements.

In 2015, we enhanced and updated the reporting of our Scope 3 emissions<sup>9</sup> under the framework, to cover all relevant stages of the life cycle. We have decreased our Scope 3 emissions in a number of areas, due to a change in output, a change in methodology or emissions reduction activities, as follows:

- **Change in output:** purchased goods and services; upstream transportation and distribution; end-of-life treatment of sold products;

- **Change in methodology:** fuel- and energy-related activities; investments; and
- **Emissions reduction activities:** fuel- and energy-related activities; waste generated in operations; business travel; downstream transportation and distribution.

Our detailed reporting of Scope 3 emissions can be found on pages 124–137 of our [2015 CDP submission](#).

We use the GHG Protocol, 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard' to estimate our GHG emissions in our upstream and downstream operations. We also engage with key suppliers to obtain detailed information on their emission-generating activities, and help them implement less GHG-intensive practices.

In line with our broader Scope 3 emissions reporting, we will continue to extend our GHG reduction efforts beyond our direct manufacturing emissions.

## Reducing GHG emissions

### Our commitment

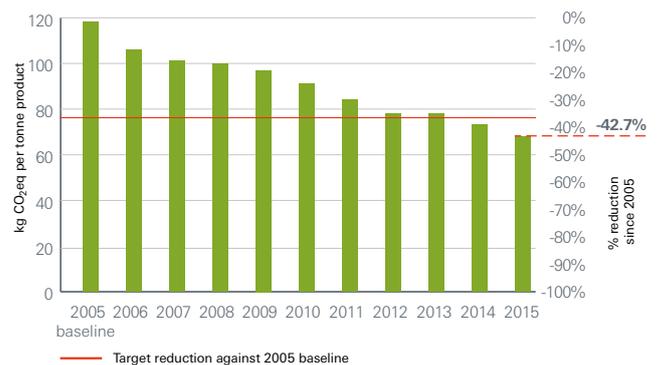


Provide climate change leadership

### Our objectives

- **By 2015** – Reduce our direct GHG emissions per tonne of product by 35% versus 2005, resulting in an absolute reduction of GHG emissions.

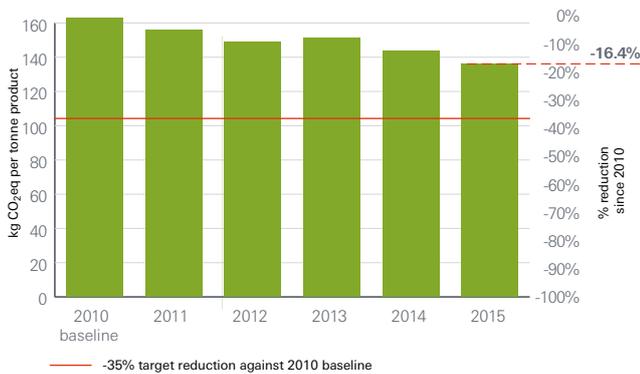
### Reduction in direct GHG emissions (Scope 1) 2005–2015



<sup>9</sup> Scope 3: all the indirect emissions that occur in a company's value chain, both upstream and downstream.

⊕ **By 2020** – Reduce GHG emissions (Scopes 1 and 2) per tonne of product in every product category to achieve an overall reduction of 35% in our manufacturing operations versus 2010.

**Reduction in total GHG emissions (Scopes 1 & 2) 2010–2015**



We have made the reduction of GHG emissions and climate change adaptation a focus area in [The Nestlé Policy on Environmental Sustainability](#) and have committed to reduce our direct GHG emissions per tonne of product by 35% by 2015 compared with 2005, resulting in an absolute reduction of GHG emissions. Having achieved that target, we have now announced a new GHG reduction target for 2020. This covers indirect as well as direct emissions (Scopes 1 and 2), and is consistent with scientific estimates that we should limit global warming to less than 2°C.

We have reduced the GHGs emitted in the manufacturing of one kilogramme of products by 16% compared to five years ago. To achieve this, we have implemented numerous solutions, including improving energy efficiency of our factories through [Nestlé Continuous Excellence](#) and installing new equipment, switching to cleaner fuels and using renewable energy sources. For example:

- Wind power now meets nearly 80% of Nestlé Mexico’s electricity needs, avoiding the emission of about 100 000 tonnes of CO<sub>2</sub>eq annually;
- Nestlé’s worldwide operations now include 22 factories that are using spent coffee grounds as a renewable and carbon-neutral fuel, and 21 factories using wood chips as a renewable energy source; and
- In France, a fourth Nestlé factory is being converted to use wood as a renewable alternative to fossil fuel. With three factories already obtaining between 88% and 94% of their energy needs from wood chips, our Nescafé factory in Dieppe will burn spent coffee grounds and wood chips from early 2016. The use of wood boilers has reduced by more than 40% the direct CO<sub>2</sub> emissions in Nestlé France since 2010.

We are phasing out industrial refrigerants with high global warming and ozone-depleting potential, and will further expand the use of [natural refrigerants](#) to our industrial refrigeration systems and ice cream chest freezers.

As deforestation is a major contributor to increasing global GHG emissions, we want to see [zero net deforestation](#) as soon as possible and have committed to supporting efforts towards this ambition in our supply chains by 2020.

With food wastage generating significant GHG emissions, we have also committed to achieving [zero waste for disposal](#) in our sites by 2020.

**Direct emissions**

By investing in renewable sources, improving energy efficiency and switching to cleaner fuels, we reduced total direct GHG emissions by 5.2% last year, to 3.7 million tonnes of CO<sub>2</sub>eq. That represents a 42.7% reduction since 2005; in the same period, production volume has risen by 50.2%.

So, by the end of 2015, we have reduced our direct GHG emissions per tonne of product by 42.7% since 2005. This equates to a 14% absolute reduction, meaning we have exceeded our 2015 target. Having met this initial target ahead of schedule, we must now maintain our progress in this area.

**Direct GHG emissions (million tonnes of CO<sub>2</sub>eq)**



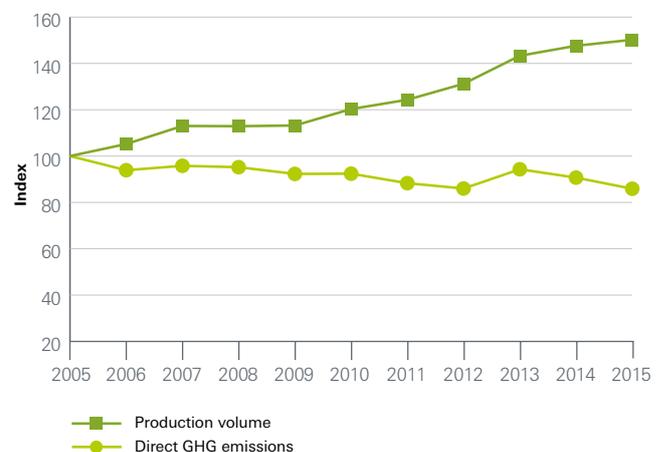
\* The 2013 and 2014 figures have been restated due to more complete data.

**Direct GHG emissions (kg of CO<sub>2</sub>eq/tonne of product)**



\* The 2013 and 2014 figures have been restated due to more complete data.

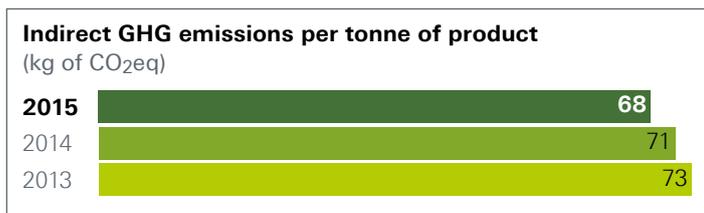
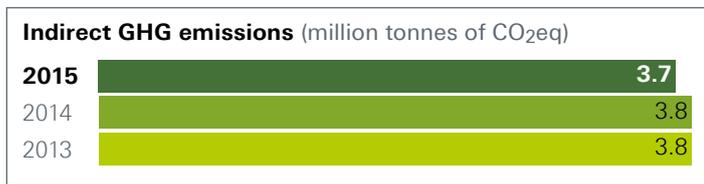
**Direct GHG emissions versus production volume, 2005–2015**



### Indirect GHG emissions

GHG emissions arise from the generation of electricity, hot water and steam purchased by Nestlé or otherwise brought within our organisational boundaries. They physically occur at the facility where the electricity, hot water or steam is generated. Typically, publicly available country-specific default factors are used to calculate this, from the purchased energy quantities. This indicator corresponds to Scope 2 of the WRI/WBCSD GHG Protocol.

In 2015, our indirect GHG emissions, derived from purchased energy, was 3.7 million tonnes of CO<sub>2</sub>eq. Despite a 4% increase in our use of renewable electricity, the indirect GHG emission rate per tonne of product decreased by 3.3% to 68 kg of CO<sub>2</sub>eq. This is mainly due to our growth in China where coal is commonly used to produce electricity.



### Switching to renewable energy

We continue to develop ways of using a range of by-products, such as wood chips and spent coffee grounds, as well as wind, solar, hydroelectric and geothermal power as renewable energy sources.

Wood represents 29.1% of our renewable energy mix, compared with 21.4% for spent coffee grounds. We also purchased a quarter (25.1%) of our electricity (6.9 petajoules) from renewable sources, compared to 20.6 petajoules from non-renewable sources.

We have committed to having a strategy to [procure 100% of our electricity from renewable sources](#) within the shortest practical timescale. Renewable energy currently accounts for 15.4% of the total on-site energy consumed by our factories.

We have actively participated in the UN Global Compact and joined the [RE100 initiative](#), launched in 2014 to engage, support and showcase influential companies committed to using 100% renewable power. Led by The Climate Group in partnership with CDP, RE100 works to address barriers to the widescale adoption of renewables and to develop transparent reporting mechanisms. During 2015, Nestlé participated in workshops in India and China.

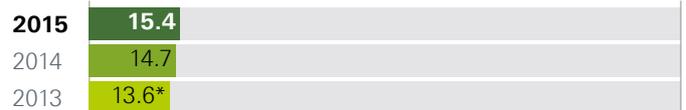
**Further information** about our efforts to reduce GHG emissions can be found in [Providing climate change leadership](#) and [Transport and distribution](#).

### Total on-site energy consumption (petajoules)



\* The 2013 and 2014 figures have been restated due to more complete data.

### Total on-site energy consumption from renewable sources (%)



\* The 2013 figure has been restated due to more complete data.

### Renewable energy sources

Identifying alternate, renewable sources of energy has become an important aspect of improving our environmental performance, avoiding the use of fossil fuels and providing a reliable source of power in locations where access to other sources of energy are limited or insecure, such as Pakistan.

In our dairy hub collection centres, the uninterrupted operation of milk chillers is vital for ensuring the consistent quality of fresh milk. These are usually run on electricity from the national grid, with diesel generators as a back-up, but with the energy crisis in the country affecting supplies from the grid, Nestlé Pakistan explored the option of solar panels for operational reliability. In a country like Pakistan, where there is an abundance of sunlight throughout the year, switching to solar energy has a range of benefits; these include reducing the cost of running back-up generators and needing fewer mechanical spare parts. As a pilot for introducing a solar energy system, two milk collection centres with 1000-litre chillers were initially selected in 2013. Eight more solar energy systems were installed at milk collection centres in 2014 and a further 23 solar units were added in 2015.

Meanwhile, at Nestlé Waters, we have worked with a Swiss company specialising in renewable energy systems, on a project that uses geothermal heat from the local 'source aux croix'. The natural heat created by the source of the mineral water brand Cristalp, which emerges from the ground at 25°C, is used to heat our bottled water factory and some of the local municipal buildings. This has enabled the factory to run on 100% renewable energy since October 2014, a first for Nestlé Waters. The project currently produces 0.8 GWh of energy per year and in the near future, the site is expected to produce more energy than it will use.

Additionally:

- In Spain, we sourced 123.7 MWh of electricity from renewable power sources, supported by Green Energy Certificates. This enabled us to avoid more than 20000 tonnes of CO<sub>2</sub>eq emissions compared with electricity produced from fossil fuels;

- In 2015, Nestlé Italy (food) purchased about 110 000 GJ of green electricity. This cost an extra CHF 23 200, but about 11 000 tonnes of CO<sub>2</sub>eq emissions were avoided as a result; and
- Nestlé Brazil also started to procure renewable electricity for 14 of its sites in 2015 through power purchase agreements, covering almost 50% of their electricity consumption and cutting emissions by more than 20 000 tonnes of CO<sub>2</sub>eq. The electricity comes from a variety of sources including small hydropower plants, solar, biomass and wind farms. More sites will switch to renewable electricity during 2016.

### Purina moves towards renewables in the United States



At Nestlé Purina, we use renewable energy at our manufacturing facilities to help improve our performance. In the United States, more than 20% of the total electricity used by our PetCare plants came from renewable resources, such as solar, wind and hydroelectricity, and we aim to procure at least 35% renewable electricity at all production plants by 2020.

To help us achieve our aims:

- The solar arrays we have installed at five locations generate more than 1 MW of solar power a year, some of which is returned to local utility companies;
- Our Dunkirk, New York, factory derives about 70% of its total electricity from renewable sources, mostly as hydroelectric power from Niagara Falls;
- Each month, our Flagstaff, Arizona, pet food factory purchases 'green blocks' of electricity from its local utility to support the generation of renewable energy in the region; and
- We use cogeneration – the production of two types of energy – to provide a portion of the electricity needed by our factory in Maricopa, California.

We are also making improvements to our factories and administrative buildings, such as migrating to more energy-efficient LED lighting, optimising HVAC (heating, ventilation and air conditioning) systems and installing low-water-use fixtures.

Such efforts have seen Nestlé Purina gain [LEED](#) (Leadership in Energy and Environmental Design) certifications at St Louis, Missouri (Gold), Gray Summit, Missouri and Oklahoma City, Oklahoma (both Silver), and receive the US EPA's ENERGY STAR Certification for one of the buildings at its St Louis headquarters.

### Using by-products as energy sources

In Switzerland, Nestlé Waters has been collaborating with a Swiss company specialising in renewable energy systems to construct an agricultural biogas facility at Vaud to provide renewable energy for our Henniez bottling plant. The plant, due to open at the beginning of 2016, will process almost 25 000 tonnes of manure a year from 26 local farms, as well as coffee grounds from *Nescafé* and *Nespresso* production and recycling sites across Switzerland, and generate enough

electricity to power more than 1000 households. This electricity will be fed into the Swiss national grid, while the heat will be piped to the bottling plant.

Meanwhile, our Toluca coffee plant near Mexico City was the first in the country to create steam from biomass. The atmospheric fluid bed boiler, operational since 2012, provides a sustainably managed use for around 54 000 tonnes of spent coffee grounds each year. It has reduced GHG emissions by 23% and means that over half of the factory's steam requirements come from a renewable energy source.

Similarly, at our Araras plant in São Paulo, we use the coffee grounds from the production of *Nescafé* as biomass to produce energy for the factory. The material is pressed to reduce moisture, mixed with small pieces of wood and burned in a boiler, generating steam for the factory. What remains (about 3%) is composted and turned into organic fertiliser. This process saves electricity, reduces the disposal of solid waste and avoids more than 20 000 tonnes of CO<sub>2</sub> emissions.

### Using natural refrigerants

Refrigeration fluids based on hydrofluorocarbons (HFCs) are widely used throughout industry but are known to contribute to climate change. However, non-HFC refrigerants – natural alternatives, including CO<sub>2</sub>, ammonia, water and air, and hydrocarbons (HCs), such as propane and iso-butane – do not harm the ozone layer and have negligible or no global warming effects.

We have committed to use safe natural refrigerant alternatives for industrial refrigeration installations and implement new solutions to improve their performance. This has included assessing the safety risk of HC refrigerants, the results of which were published in the International Journal of Refrigeration. Investigations such as these have enabled us to commit to phase out some HFC refrigerants and introduce natural refrigeration ahead of the timescales imposed by regulation.

#### Our objectives

- ⊕ **By 2016** – Expand the use of natural refrigerants, which do not harm the ozone layer and have a negligible impact on climate change, in our industrial refrigeration systems.

#### Industrial refrigeration systems using natural refrigerants (%)



- ⊕ **By 2017** – All our new refrigerated trucks will use natural refrigerants.
- ⊕ **By 2020** – All new proprietary cold beverages dispensers of Nestlé Professional will use natural refrigerants.

We use industrial refrigeration in our factories, which represents 90% of our refrigeration use, and small-scale units such as commercial ice cream freezers at point-of-sale. We continue to phase out synthetic refrigerants with high global warming and ozone-depleting potential, and have invested CHF 289 million since 1992 to replace synthetic refrigerants with natural alternatives in 91% of our industrial refrigeration systems. This slight decrease is due to some divestures of installations using natural refrigerants as well as better accuracy in our reporting.

We have also expanded the use of natural refrigerants by installing 33 new refrigeration systems, and phased out 208 old refrigeration systems. For example, using ammonia and CO<sub>2</sub> together in a cascade refrigeration system can offer better environmental performance, improved efficiency and high operating performance. For more than 15 years, we have expanded our use of natural refrigerants in various cooling applications in factories, small distribution centres, R&D centres, offices and Nestlé Shops and, in 2015, we inaugurated a CO<sub>2</sub>/ammonia cascade cold store in the Greater China Region (see case study).

The deadline for our objective to expand the use of natural refrigerants in our industrial refrigeration systems has been extended, enabling us to continue this work for another year. We will also report on progress towards our new 2020 objective for Nestlé Professional next year.

### Nestlé's first CO<sub>2</sub>/ammonia cold store in China



In support of our commitment to expand the use of natural refrigerants in our industrial refrigeration systems, Nestlé inaugurated its first CO<sub>2</sub>/ammonia (NH<sub>3</sub>) cold store in Guangzhou, China, in June 2015. The CO<sub>2</sub>/ammonia cascade system confines ammonia charge to the machine room, providing a safer working environment for cold store operators and uses less energy than other systems. The 3200 m<sup>2</sup> cold store also features other energy-saving technology such as variable temperature settings and built-in intelligent LED lights.

Local contractors provided more than 110 000 incident-free work-hours to build the CNY 50 million (CHF 8 million) site, which was completed in May 2015 and will serve consumers across the South China region (including Hong Kong and Macau).



This first project of its kind for us gave us the opportunity to transfer knowledge from our global refrigeration experts to our local team, which will further facilitate the implementation of new CO<sub>2</sub> refrigeration systems."

**Zhang Hao, Corporate Engineer, Nestlé Greater China Region**

### Ice cream chest freezers

#### Our objectives

- **By 2015** – All of our new ice cream chest freezers will use natural refrigerants.
- ⊕ **By 2016** – All of our new ice cream chest, upright and island freezers will use natural refrigerants.

We have been systematically introducing more commercial refrigeration units across Europe that use natural refrigerants and are more energy efficient.

Back in November 2013, we pledged that all our new horizontal chest freezers in Europe will use natural refrigerants and, in 2014, we made this pledge global, committing that all our new ice cream chest freezers will use natural refrigerants. From January 2015, every new horizontal chest freezer Nestlé buys to store ice cream will use natural refrigerants rather than synthetic refrigerants. These new freezers represent 70% of Nestlé's total spend on freezers. They also consume 50% less energy than earlier models and are more efficient for customers to run.



Nonetheless, challenges remain in deploying natural refrigerants universally. As the CGF recognises: 'Barriers exist to wide-scale adoption of more climate-friendly refrigeration, namely legislative restrictions in some countries, availability, cost, safety, maintenance and servicing.' To help overcome such challenges, we continue to work with major equipment suppliers and organisations to test and monitor different refrigerants in various applications.

To overcome these barriers, our refrigeration experts around the world contribute to knowledge transfer, and we continue to work with major equipment suppliers and other organisations to test and monitor different refrigerants in various applications.

Combined, our actions to date have helped us move beyond meeting the CGF Resolution on Refrigeration, which encourages businesses to take action towards phasing out some HFC refrigerants from 2015.

See [Transport and distribution](#) for details of our new objective to use only natural refrigerants in our refrigerated trucks.

## Adapting to climate change

We are only part of the climate change solution; business can play a role, but more needs to be done at a wider, collaborative level. So increasingly, we are working with our suppliers to help them adapt to climate change: both to support their livelihoods and the environment, and to reduce the risk to the long-term supply of materials for our business.

### Agroforestry project in Rosières, France

Nestlé France's Rosières factory, located in Santerre, northern France, sources about 110 000 tonnes of select varieties of potatoes for its Mousline brands; three-quarters of this volume comes from the 190 producers who form the Santerre Producers Group (SPG). Audits performed in 2012 and 2013 among the SPG suggest that the use of water for irrigation, fertilisers and pesticides are high, putting long-term soil fertility at risk.

To make land use more sustainable, production practices have been adapted to involve agroforestry – the use of trees within agriculture to protect natural habitats, regulate water availability and reduce soil erosion. Mousline promotes agroforestry projects with willing SPG producers, while Pur Projet, an NGO that assists companies in regenerating and preserving ecosystems, provides operational support; the producers themselves are responsible for soil preparation, planting and general maintenance.

In 2014, three agroforestry pilot projects were set up at farms close to the Rosières factory, each involving different types of hedge. A total of 3500 trees and shrubs were planted, forming 3.3 km of hedging, and the agricultural school Lycée Le Paraquet has started to assist with soil analysis.

Looking ahead, we hope to identify new potato farmers to join the initiative, and to assess the impact of the hedges planted to date.

We are especially committed to helping farmers adapt to climate impacts and become more resilient. Supported by training and advice, they can continue to grow crops in the face of changing patterns of climate and agricultural production. We use our scientific expertise and resources to help improve crop resilience and yield, with our R&D centres in Tours, France, and Abidjan, Côte d'Ivoire, working to develop drought-resistant cocoa and coffee plantlets, and varieties that are less vulnerable to disease.

Our work to assist [cocoa](#) and [coffee farmers](#) adapt to environmental challenges was recognised as an [example of best practice](#) by the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#) and shared as part of its [Adaptation Private Sector Initiative](#).

We have shared case studies on private sector engagement as part of an online tool that showcases how businesses and communities can adapt to the effects of climate change (see an example [here](#)).

### Nespresso AAA agroforestry programme

*Nespresso* sources coffee beans from regions across the world, many of which are already experiencing the first signs of the adverse impacts of climate change. Extreme weather conditions, leading to increased incidence of disease, landslides and water scarcity, are becoming a threat to the availability of coffee beans. A 2014 paper by the International Center for Tropical Agriculture in Colombia suggests that, due to increasing temperatures driven by climate change, Latin American countries (where *Nespresso* sources a large share of its high-quality coffees) would lose 15% to 30% of the current area suitable for Arabica coffee bean cultivation by 2050.

Since 2003, in partnership with the Rainforest Alliance, *Nespresso* has been committed to ensuring farmers' livelihoods and securing its supply of high-quality sustainable coffee via the implementation of its unique coffee-sourcing model, *Nespresso's* AAA Sustainable Quality™ Program. At the end of 2015, 85% of *Nespresso* coffee supply was sourced from the AAA Program.

A dedicated agronomists' network has promoted sustainable farming practices to mitigate negative environmental impacts, while increasing farm productivity and coffee quality. In 2014, conscious of the impact of climate change on landscapes, *Nespresso* decided to amplify its actions to build resilient coffee ecosystems by investing in agroforestry as part of its AAA Program. We plan to replicate the activities piloted in the Cauca region of Colombia and the Huehuetenango region of Guatemala in other relevant AAA sourcing regions.

*Nespresso* commissioned Pur Projet, specialists in the development of community ecosystem management, to run the pilot projects in Guatemala and Colombia along with local farmers' organisations (ADESC and FNC). The field assessments carried out at the early stage of the process highlighted the key challenges to be addressed in both regions. In Huehuetenango the primary concerns are landslides, coffee rust and drought, while in Cauca, the key challenges are watershed regeneration and degraded pastures.

#### Far-reaching community and corporate benefits

*Nespresso* is convinced that agroforestry is an efficient investment to reinforce its coffee supply chain while having a positive impact on natural capital and creating additional economic value from each hectare of coffee farm. The positive effects on land, biodiversity and water include:

- Preventing erosion;
- Enhancing the fertility of soils, and increasing the presence of pollinators and biological control;
- Limiting water evaporation and regulating fresh water availability;
- Naturally protecting ecosystems and preserving biodiversity;
- Improving water quality;
- Absorbing carbon from the air; and
- Creating economic benefits for farmers through crop diversification and carbon certification.

The main economic benefit for the producer is diversification – bringing added income from his land by planting trees for both timber and fruit. More generally, the employment creation of local technicians and the technical assistance are socio-economic benefits for the participating communities. Trees also represent a retirement capital for farmers in their old age.

In 2014, *Nespresso* piloted its approach in two areas where it had long provided technical assistance: the Huehuetenango cluster in Guatemala and the Cauca region of Colombia. The pilot has been extended in 2015 to the Bokasso region in Ethiopia, the Nariño cluster in Colombia and the Fraijanes region in Guatemala.

In these five regions, around 2400 farmers benefited from this programme and planted more than 600 000 trees in the last two years.



Plantlet distribution in Colombia



A coffee farmer in Colombia planting trees on his land

© Christian Lamontagne/Pur Projet

## Engagement on climate change

### Our commitment



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

### Our objective

- ⊕ **By 2016** – Implement *Guide for Responsible Corporate Engagement in Climate Policy* developed by CDP, the UN Global Compact, Ceres, The Climate Group, the World Wide Fund for Nature (WWF) and the World Resources Institute (WRI).

We believe that the need to act on climate change is a pre-competitive issue requiring multi-stakeholder collaboration, both directly with governments and through industry groups such as the CGF, UNFCCC, FoodDrinkEurope, UNEP, FAO and the WBCSD, as outlined below. There is an increased need for the industry associations we belong to or support to speak with one voice, reflecting the risks that climate change may present to our sector.

In 2014, we conducted a gap analysis between our current situation and the [Guide for Responsible Corporate Engagement in Climate Policy](#), a report outlining a consultation on responsible corporate engagement in climate policy led by Caring for Climate. The report sets out guidance on how companies can constructively influence public policy, engage in national and international debates, contribute to political progress on reducing GHG emissions and adapt to global climate change.

## Nestlé CEO addresses UN Global Compact



In June 2015, Nestlé Chief Executive Officer Paul Bulcke spoke at '[Global Compact +15: Business as a Force for Good](#)' in New York.

During a segment at the 'Climate Action and the Environment' event, entitled 'Advancing the Sustainable Development Goals through Corporate Sustainability', he called for coordinated action by governments, companies and NGOs to address climate change and safeguard water resources. He also emphasised the role of business in supporting the post-2015 [Sustainable Development Goals \(SDGs\)](#), discussed the impact of climate change and explained how Nestlé has integrated environmental sustainability as one of the foundations of its business.



We have the opportunity to help build the sustainable development agenda for the next 15 years and beyond. We are now looking to governments to show their leadership...to agree and, more importantly, to commit to ambitious targets with concrete actions; to shift to renewable energies; support effective land use and stop deforestation; and to take measures that will lead to a meaningful price on carbon."

**Paul Bulcke, Chief Executive Officer, Nestlé**

Global Compact +15 brings together business, government and civil society to mark the 15<sup>th</sup> anniversary of the [UNGC](#), a voluntary initiative that now has more than 8300 member companies across 170 countries that work to adopt sustainable and socially responsible policies.

## Climate change initiatives

Nestlé has endorsed the following climate change initiatives; these are fully aligned with our own explicit commitments, which reflect our respect for the society in which we operate, respect for the environment and respect for future generations.

### Caring for Climate

As part of the company's long-standing efforts to provide climate change leadership, Nestlé endorses major climate change initiatives such as Caring for Climate, the world's largest global coalition on climate issues. It is led by the UNGC, UNEP and UNFCCC.

By supporting the Caring for Climate Business Leadership Forum, Nestlé commits to renewing its efforts to improve energy efficiency, reducing the GHG emissions of its products, setting voluntary targets and publicly reporting on progress in the spirit of continuous improvement, as well as supporting related initiatives by other leading international organisations such as the CDP.

## CDP climate action initiatives

At the UN Climate Summit in September 2014, Nestlé announced its endorsement of the CDP's six climate action initiatives, committing to:

- Adopt evidence-based GHG emissions reduction targets that will help limit global warming to below 2°C, aided by the 'Mind the Science, Mind the Gap' methodology developed by CDP, UNGC, the WRI and World Wide Fund for Nature (WWF) (read more [here](#));
- Having a strategy to procure 100% of electricity from renewable sources within the shortest practical timescale (see below);
- Removing commodity-driven deforestation from our supply chains;
- Providing climate change information in mainstream corporate filings;
- Responsibly engaging policy-makers on climate change policy; and
- Putting a price on carbon.

## Paris Pledge for Action

To affirm our strong commitment to a safe and stable climate, in which temperature rise is limited to under 2°C, Nestlé has signed the Paris Pledge for Action. In doing so, we welcomed the adoption of a new, universal climate agreement at COP 21 in Paris in December 2015, a critical step on the path to solving climate change, and pledged our support to ensuring that the ambition set by the agreement is met or exceeded.

## American Business Act on Climate

Nestlé is also one of 81 companies to sign the American Business Act on Climate pledge. The signatories are demonstrating their support for action on climate change and the conclusion of a climate change agreement in Paris that takes a strong step forward toward a low-carbon, sustainable future.

## Other climate action initiatives

We have put our support behind a number of additional major initiatives by leading international organisations. These include the 'Trillion Tonne Communiqué' by the Prince of Wales's Corporate Leaders Group and the 'New York Declaration on Forests'.

As chair of the Environmental Sustainability Committee of FoodDrinkEurope, we actively participated in the development of the Time to Act: Climate Action and the Food and Drink Industry report. It shows that 95% of the respondents have already integrated climate change into their business strategy. It also stresses that the 'whole of society' needs to address this challenge, and must be galvanised by an ambitious, global climate deal. FoodDrinkEurope therefore called upon governments to reach an ambitious agreement on a new global framework for climate change at COP 21 in Paris in December 2015.

## CGF highlights Nestlé's climate change actions



At the Business and Climate Summit in Paris in June 2015, the [CGF](#), co-chaired by Nestlé Chief Executive Officer Paul Bulcke, published its first-ever [Climate Change booklet](#).

The publication, launched during Paris Climate Week, highlights 18 real-life examples from Nestlé and other CGF members, detailing how they are making business changes to have a better impact on the climate. Each case study includes insight from the respective company's CEO, details about their positive business actions on the issue described and key data to support their progress.



The climate challenge is one we all need to take up; the time for talk is over. Our retailer and manufacturer members know this, and this booklet showcases how some of them are working individually and collectively to drive positive change globally."

**Peter Freedman, Managing Director, The Consumer Goods Forum**

## CDP report calls for lower agricultural emissions

According to the global non-profit group CDP, many multinational food and beverage brands are missing their biggest chance to address climate risks, and need to work more closely with suppliers to improve agricultural emissions. However, it commends Nestlé for being in a small group that lies 'ahead of the pack' in approaching climate mitigation in their agricultural supply chains.

The report, [The forgotten 10%: Climate mitigation in agricultural supply chains](#), assessed data from 97 major food, beverage and tobacco companies, of which fewer than a quarter reported data on agricultural GHG emissions in their supply chains. The biggest source of GHG emissions in the food and beverage industry comes from agricultural production, yet less than a quarter of the companies in the survey reported their indirect GHG emissions from agricultural production.

The report states the need for businesses to shift their focus to target agricultural production emissions directly, and calls on companies to cut emissions from this stage of the supply chain.



We are already seeing the consequences of climate change. Food production will come under increased pressure in the future. This is why Europe's food and drink manufacturers are actively working to try to mitigate and adapt to climate change through actions such as investing in low-carbon technologies, working with farmers and proactively engaging with consumers and partners along the supply chain."

**Pascal Gréverath, Assistant Vice-President – Environmental Sustainability, Nestlé; Chair of FoodDrinkEurope's Environmental Sustainability Committee**

## Protecting and enhancing biodiversity

Nestlé depends on biodiversity in many ways, but especially for the raw materials we source from farms, forests and oceans. We are committed to managing our operations in a way that safeguards all natural capital but particularly forests, high conservation value areas, soils and water.

### Our approach

#### Our commitment



#### Preserve natural capital, including forests

Natural capital is the sum total of nature's resources and services, and it is the basis upon which economic activity is built. We procure a large range of raw materials from farms and forests, and recognise our long-term success depends on the products and services provided by natural capital.

We also know agricultural and forestry practices are a major contributor to the loss of natural capital – particularly through the conversion of natural habitats, overuse of chemicals and water, and degradation of soil – so we aim to develop our business in a way that safeguards it.

In our [Nestlé Commitment on Natural Capital](#), we explicitly commit to act as a responsible steward of [natural capital](#), focusing on water, deforestation, soil management and biodiversity<sup>10</sup>. We will continue to report on risks and responses; support consumers to make more informed choices; and work collaboratively with stakeholders at community and landscape levels.

### Assessing our priorities

In our approach to natural capital, we understand both our dependency and impact on biodiversity and ecosystem services. Illustrating the scale of this challenge, we have estimated that Nestlé is dependent upon an area of land approximately equivalent to about two-and-a-half times the area of Switzerland for producing the commodities we use.

Putting a value on the impact our business has can help us understand and define the best way to reduce those impacts, and make better business decisions. This may be through corporate investment or, for broader impacts we have in common with others, regulatory or governmental intervention.

We have also compiled a list of priority issues and dependencies, drawing from a wide range of research from organisations such as the International Union for Conservation of Nature (IUCN), FAO, the Convention on Biological Diversity, UNEP and the WWF. Understanding our dependencies on biodiversity in this way helps us decide where best to focus our activities.

We use a number of sources of guidance, both internal and external, to guide our operations and those of our suppliers, some of which are outlined below.

- We have produced detailed requirements for water use in agriculture that are used in our [RSG](#) to improve water stewardship at the farm level;
- We have published a [paper](#) on soil health and shared it throughout our direct sourcing network. Soil health plays a vital role in food production and food security. As we purchase nearly 1% of the world's agricultural output, we are significantly affected by unsustainable agricultural practices that contribute to the degradation of agricultural soils through erosion, loss of organic matter, nutrient depletion, contamination and increased salinity; and
- To help prioritise our interventions, we use Global Forest Watch, an online mapping application that provides data about forest degradation and deforestation worldwide.

We believe we can have the greatest positive impact in three key areas – [sourcing raw materials](#), [improving the performance of our factories](#) and [supporting public policy](#) – as outlined over the following pages.

<sup>10</sup> Defined by the United Nations Convention on Biological Diversity's 'the variability among living organisms at ecosystem, species and genetic levels.'

## Priority issues and dependences for Nestlé

Biome <sup>11</sup>	Issues	Nestlé products and services	Nestlé response
Forest	Deforestation Forest degradation	Packaging, paper, timber pallets, palm oil, soya.	<ul style="list-style-type: none"> <li>Comprehensive commitment to manage forests well and eliminate deforestation through programmes across relevant commodities.</li> </ul>
Ocean	Overfishing Acidification Warming Nutrients/dead zones Plastics	Fish and seafood.	<ul style="list-style-type: none"> <li>Responsible Sourcing Guideline (RSG) on seafood;</li> <li>Plastic recycling schemes and membership of industry platform; and</li> <li>Good practices on fertiliser application for commodities.</li> </ul>
Fresh water	Water scarcity/overextraction Pollution	Every stage of our value chain.	<ul style="list-style-type: none"> <li>Commitments and key performance indicators on water across supply chains, factories and public policy.</li> </ul>
Grasslands	Loss of high conservation value grasslands	Agriculture, grazing (milk, meat).	<ul style="list-style-type: none"> <li>Application of the high conservation value approach to responsible land management and sourcing; and</li> <li>Restoration through silvopastoral programmes at dairy farm level.</li> </ul>
Atmosphere	Increasing temperature Pollutants Ozone layer depletion	Stable climate, reliable precipitation, temperature.	<ul style="list-style-type: none"> <li>Emission-reduction initiatives in factories and use of natural refrigeration units;</li> <li>Tackling deforestation/high-carbon soils; and</li> <li>Facilitating dairy farmer investment in biogas digesters.</li> </ul>
Soil	Soil loss and degradation Increasing salinity	All agricultural crops.	<ul style="list-style-type: none"> <li>Part of our RSG on palm oil, soya and sugar;</li> <li>UTZ certification of cocoa; and</li> <li>Nescafé Better Farming Practices.</li> </ul>

<sup>11</sup> The world's major communities, classified according to the predominant vegetation and characterised by adaptations of organisms to that particular environment.

## Sourcing raw materials

We continue to implement our [Responsible Sourcing Guideline](#) (RSG) in the supply chains of our 12 priority categories, against our [initial objective](#) to have assessed 30% of the volume of these categories against our RSG, and for them to be compliant or have improvement plans ongoing, by 2015.

The suppliers of these materials are already subject to the terms of our [Corporate Business Principles](#) and [The Nestlé Supplier Code](#). But through the RSG, we incorporate performance requirements on the use and management of water and soil, the maintenance and enhancement of biodiversity (in high conservation value areas in particular), and the elimination of deforestation.

### Raw materials and deforestation

The destruction of tropical rainforests and associated peatlands contributes to biodiversity loss as well as social and land conflicts. In [The Nestlé Commitment on Deforestation and Forest Stewardship](#), we pledge that our products will not be associated with [deforestation](#). This covers all the raw materials we use to make our products, as well as packaging material. Our [RSG](#) has been developed to help procurement staff and suppliers to implement our commitment. In addition, [The Nestlé Commitment on Biofuels](#) raises awareness of the risks to forests, water and food supplies resulting from the conversion to growing biofuel crops.

We have taken a proactive role in tackling deforestation through our [Responsible Sourcing](#) programme. Three categories of raw material are central to our 'no deforestation' commitment, as they are considered to have the highest impact on deforestation and forest stewardship: [palm oil](#), [soya](#), and [pulp and paper](#). Our approach remains the same for all three: to work with suppliers and partners to map our supply chains back to the origin, assessing their performance against our RSG, and then working with them to improve their activities so that they meet our requirements. Other commodities – including meat and dairy products, cocoa and coffee – are also problematic in some places, and are being tackled accordingly, country by country.

Working collaboratively, we also:

- Support the [CGF](#) to mobilise resources to help achieve zero net deforestation by 2020;
- Helped set up the [Tropical Forest Alliance 2020 \(TFA 2020\)](#), a public-private partnership that aims to reduce tropical deforestation associated with key global commodities; current TFA 2020 partners include the governments of the United States, United Kingdom, Norway, the Netherlands, Indonesia and Liberia; members of the CGF; and around 30 NGOs;
- Endorsed the [New York Declaration on Forests](#) to halt and reverse the loss of forests, and participated in conferences and events to raise awareness, seek solutions and develop cross-sector solutions; and
- Sit on the The Program Coordination Board of the IDH's [Initiative for Sustainable Landscapes](#), a programme that seeks landscape-level solutions and approaches to tackle deforestation in six landscapes across the world.

### Improving biodiversity through direct sourcing

For our [Farmer Connect activities](#), sourcing milk and coffee from more than half-a-million farmers, we take a more hands-on approach to assessing impacts and influencing behaviours to protect biodiversity at the farm level.

For example, our [dairy factories and milk districts](#) are often close to protected areas and areas of high biodiversity. Using [RISE](#), our assessment and action planning tool, we work with dairy farmers to review their practices and develop action plans for economic, social and environmental improvements. In 2015, RISE studies have been completed on 189 farms in 12 different markets, including dairy, coffee and cocoa.

Biodiversity issues in the [coffee sector](#) are managed primarily through the 4C Coffee Code, *Nespresso's* AAA Sustainability Quality™ Program and the *Nescafé* Plan. Initiatives to promote better farming practices include safeguards against sourcing from protected areas, restrictions on pesticide use, soil conservation and watercourse protection.

We continue to help farmers implement silvopastoral systems, planting different species of trees, hedges and shrubs on pasture land to improve biodiversity and yields. The advantages of a properly managed silvopastoral system – which combines forestry and grazing of domesticated animals in a mutually beneficial way – are enhanced soil protection and increased long-term income resulting from the simultaneous production of trees and grazing animals. Nestlé Nicaragua has helped 10 pilot farms implement silvopastoral systems.

## Improvement programmes at our factories

### Our objective

- **By 2015** – Improvement programmes are taking place for all factories adjacent to Important Water Areas<sup>12</sup> to reduce our impacts on the surrounding area.

All factories operate according to our [Nestlé Environmental Management System](#), and 626 of all Nestlé sites are certified to the ISO 14001:2004 standard. This gives us a solid foundation for developing initiatives with local authorities and other stakeholders to manage our operations, improve performance and enhance biodiversity where our factories are located in legally protected areas and [Important Water Areas](#).

Following consultancy work by the UNEP World Conservation Monitoring Centre (UNEP-WCMC) to identify the key biodiversity connections to our factories, we have sought to interpret those links to determine dependency and impact. We have analysed which of our factories are within, or adjacent to<sup>13</sup>, areas of high biodiversity or protected areas. The resulting database highlights many factories where high biodiversity risk has been identified and where we will focus our future actions to safeguard the natural environments that we depend on.

<sup>12</sup> Legally protected or under a conservation agreement which, if impaired or lost, could adversely impact the environmental, social, cultural or economic benefits derived from the catchment in a significant or disproportionate manner.

<sup>13</sup> Within 2 km.

We have further identified those factories where we have either a dependency or a potential impact on Important Water Areas. Our initial analysis identified 17 factories associated with Important Water Areas, all of which were contacted to obtain further information. Further analysis and refinement provided us with a definitive list of 13 factories that are located in protected areas categorised as Important Water Areas, split into four categories based on their level of dependency or impact. Five factories fall into the category of highest significance.

While we already have robust operational practices at these factories, in all cases, there are opportunities to strengthen engagement with relevant authorities and, where appropriate, align the management of our land holdings with surrounding stakeholders.

To develop natural habitats and increase biodiversity, we have now planted wildflower meadows at all Nestlé UK & Ireland sites. The meadows are designed to attract a variety of wildlife, including pollinators such as butterflies, bees and birds that are integral to the food supply chain. Eleven out of thirteen Nestlé in the Market factory sites had also developed butterfly meadows by the end of 2015.

Meanwhile, Nestlé Indonesia has made augers available for loan to encourage employees to drill biopore holes at their work locations and at home. Through this activity, we hope to make the land better able to absorb and store rainwater, and reduce the risk of flooding. The company has also purchased and planted thousands of locally sourced trees on factory premises and in the surrounding community in recent years.

## Supporting public policy

We are involved in a number of initiatives that enable businesses to assess, measure and value their dependencies and impacts. The objective of this work is to enable organisations to better understand these aspects, and determine the business value and rationale for actions to protect, manage and restore nature.



### Restoring the natural balance

Britain's record on habitat protection is among the poorest in Europe, according to a [recent report](#) from the European Commission and the European Environment Agency, partly due to the pressure from agriculture on UK land. The report showed that more than 80% of the UK's habitats are in a poor condition.

In June 2015, the UK think tank Green Alliance launched a major new [Natural Environment programme](#), addressing politicians' failure to deal with the continuing deterioration of natural systems in the UK.

In its first year, the programme will be working on two aligned projects, one of which includes a collaboration with Nestlé. This will involve working with business and civil society partners to turn new thinking about the economic value of natural capital into practical policies and practices that enable us to thrive and develop alongside natural systems, and within natural limits.



The thinking behind the concept of natural capital is advancing rapidly, and this project will allow us to help identify and shape the incentives that can guide further actions by land owners, and companies in the value chain, to help the UK restore the nature upon which we depend."

**Andrew Griffiths, Head of Environmental Sustainability, Nestlé UK and Ireland**

Nestlé is a signatory to the [Natural Capital Leadership Compact](#), launched by the Cambridge Institute for Sustainability Leadership, and is also an active member of the [Cambridge Natural Capital Leaders Platform](#), a major business-led programme focused on gathering practical evidence to inform the actions that companies can take and to identify supporting policies. The cross-sectoral platform addresses the impacts of ecosystems and natural capital loss and degradation on businesses, their customers and wider society. During 2015, we continued our membership of the platform, supporting the development of the next three-year phase of its work. We are part of one of the working groups investigating natural capital in the dairy sector in the UK.

Nestlé also produced an initial valuation of the impact our business has upon natural capital, providing insights into the emerging discipline of natural (and social) capital valuation. A study completed in 2015 helped us better understand the methodologies behind the valuation of natural and social capital, through the production of an evaluation of environmental impact for Nestlé. It also explored how to

conduct a similar assessment of our social impacts. A report of the findings, [Measuring Value – Towards New Metrics and Methods](#), was prepared for us by Quantis and Groupe AGÉCO and made available to develop understanding of the different means and reasons for carrying out impact valuation and to encourage debate on aligning natural and social capital valuation methodologies. We have made this report available to interested parties.

The research also enables us to contribute more fully to international initiatives for developing protocols on natural and social capital. In July 2014, the [Natural Capital Coalition](#) selected two consortia to develop the [Natural Capital Protocol](#), a global, multi-stakeholder platform to help organisations understand, measure and value their impacts and dependencies on the natural environment. One consortium, led by the WBCSD, is collating existing methodologies, systems and ideas into a single measurement and valuation framework, while a second, parallel group, managed by the IUCN, is designing ways to test the protocol and developing guidance for two sectors, including the food and beverage industry. Nestlé has contributed to the technical working group developing the protocol, and is one of 10 companies that has tested the first draft. During 2015, the WBCSD initiated work on the development of a Social Capital Protocol, in which we participated.



## Get Better with Nature

Research conducted by Mind, a mental health charity in the UK, has revealed that 90% of people reported improvements in self-esteem following regular walks outdoors. A 2014 survey by Nestlé Waters and the Derbyshire Wildlife Trust in the UK showed that while 93% of local residents near our Buxton site understand the value of nature to society and health, nearly two-thirds (64%) think that today's younger generation don't appreciate this relationship as much. That's why we launched 'Get Better with Nature', a collaborative, long-term campaign to educate the public about the benefits nature can bring to our everyday lives.

We are working with three schools and three community wellbeing organisations in Derbyshire, where we have held four school activities, six Forest School sessions and eight wellbeing activities for adults. We have also sponsored the Derbyshire Wildlife Trust's Veteran Tree programme and held a tree seed collection day, supported by students from the University of Derby.

Twenty-one Nestlé Waters UK employees (just over 10%) also took part in local Days of Action in Slough and Watford during the year. Working alongside Wildlife Trust supporters, local schoolchildren and members of the community, these conservation activities focused on water in the environment. Further sessions are planned for 2016.

The scheme was extended to two additional Wildlife Trusts – Berkshire, Buckinghamshire and Oxfordshire Wildlife Trust, and Hertfordshire and Middlesex Wildlife Trust – in 2015. Backed by press releases, news articles, radio interviews and social media activity, the campaign is now set to be rolled out across the country.



At Nestlé Waters, we take our duty to protect the environments in which we operate very seriously. Now, we want to work with local communities to ensure that nationwide steps are being taken to protect nature, promote water stewardship and highlight the benefits the natural world brings to our health and wellbeing."

**Sian Chapman, Corporate Communications and CSV Manager, Nestlé Waters UK**

# Human rights and compliance

Nestlé operates with a fundamental respect for the rights of the people we employ, do business with or otherwise interact with. We are proud to be one of the first companies to adopt the new [UN Guiding Principles on Business and Human Rights \(UNGPR\) Reporting Framework](#). Recent years have seen a significant move from voluntary international standards to binding national laws, with major legislation from the United States, Europe and other regions. While this trend presents new challenges in terms of transparency and reporting, we believe it has a positive impact on the communities in which we operate and society at large.



**11**  
salient human rights  
issues identified.



**5 000**  
suppliers acquainted with  
our Tell us communication  
channel for external  
grievance reporting.



**22 279**  
employees trained in  
anti-corruption and  
compliance procedures.



**250**  
CARE audits carried out across  
Nestlé, covering human rights  
and labour practices, business  
integrity, safety and health,  
environmental sustainability  
and security.



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250 **Product safety and quality**

# Our role in human rights and compliance

Our Creating Shared Value proposition is based on compliance with our business principles, corporate policies and commitments, national laws and international standards. We aim to be exemplary in respecting human rights and good labour practices throughout our business activities.

By assimilating the highest business standards and codes into our policies, management systems and activities across the globe in this way, we seek to eliminate issues such as child labour; work against corruption and bribery; make it easier to report and address potential breaches of compliance; and assess human rights impacts. We believe this will make us more effective in our approach to compliance.

Nestlé became one of the first companies to adopt the UNGP Reporting Framework developed by Shift and Mazars. Together with external stakeholders, we have identified a list of 11 salient issues – those human rights at risk of the most severe negative impacts through our activities and business relationships. Going forwards, they will provide the framework to monitor our progress against international standards, including the UNGP.

## The year in brief

### Challenges

#### Confidentiality and transparency

Our human rights approach must balance the dual needs of confidentiality and transparency, while respecting local realities.

#### Child labour

We are addressing the issue of child labour in the harvesting of some of our raw materials. Importantly, we must also understand its root causes, to ensure behavioural change is sustainable.

#### Compliance

Our people, and others we affect, need to understand and use our internal and external grievance tools.

#### Anti-corruption

We need to make sure that our standards are applicable and that our people have the tools they require to prevent and avoid bribery and corruption at all levels.

### Actions

#### Respecting human rights

Through our Human Rights Due Diligence Programme (HRDDP), we continue to make our approach to human rights strategic, comprehensive and unified across all our business activities.

#### Monitoring child labour

By the end of 2015, 120 067 cocoa farmers and community members had been sensitised to child labour as part of the Child Labour Monitoring and Remediation System (CLMRS).

#### Enabling better integrity and grievance reporting

Our internal Integrity Reporting System is now operational in 100% of our markets. 5000 suppliers and 1000 downstream business partners have been instructed about our 'Tell us' external grievance reporting system.

#### Training

We have defined standards on anti-corruption training, and continued to deploy our online compliance courses, including translated versions for local markets.

### Achievements

#### 1st

Nestlé became one of the first companies to adopt the UN Guiding Principles Reporting Framework for human rights issues.

#### 3 183

Cases of child labour remediated in the cocoa supply chain.

#### 1 457

Complaints resolved through our internal and external compliance systems.

#### 22 729

Employees trained in our compliance and anti-corruption standards.

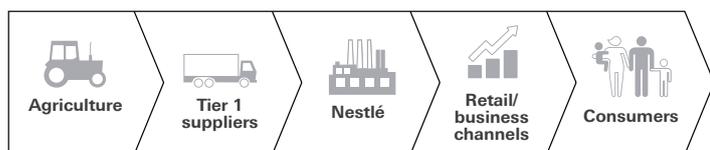
G4-2, Investment G4-DMA, Non-discrimination G4-DMA, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Indigenous rights G4-DMA, Supplier human rights assessment G4-DMA, Human rights grievance mechanisms G4-DMA, Anti-corruption G4-DMA, Compliance G4-DMA (Society), Customer health and safety G4-DMA, Customer privacy G4-DMA, Compliance G4-DMA (Product responsibility)

## Material issues

Nestlé uses a formal [materiality process](#) to identify the most important issues for our stakeholders and our business. The results are communicated in a [materiality matrix](#).

Our material issues are also considered and mapped with regard to their degree of importance in different parts of the Nestlé value chain. In the value chain, 'Agriculture' includes smallholder farmers with whom we do not have direct relationships and 'Tier 1 suppliers' refers to suppliers in direct commercial relationships with Nestlé.

### The Nestlé value chain



Each material issue is made up of a number of sub-issues, which are highlighted during the research process. They are used as a lens to help define the scope of analysis. In this section, we have provided a synthesis of the findings related to human rights and compliance.

Three material issues fell under the banner of human rights and compliance that were rated as being of concern to our stakeholders and of strategic importance to our business: **business ethics**, which includes consumer privacy; executive

compensation; fair tax; governance and transparency; business integrity; and fraud, bribery and corruption; **human rights**, including labour relations, and issues in the upstream supply chain, such as child labour and rights linked to land ownership; and **food safety**.

Upholding ethical principles in our business and supply chain is fundamental to who we are as a responsible business and underpins our licence to operate. Ensuring the highest standards of food safety and quality is essential to maintaining the trust we have built in our business and is fundamental to our business success. Our responsibility to respect human rights across our supply chain is critical to the security and wellbeing of our workforce and suppliers.

Our stakeholders are working to enhance disclosure of tax payments, implementation of anti-corruption measures, appropriate executive compensation and adoption of the best food safety practices. They are acutely concerned about human rights and, as we advance our work on child labour and land rights, we have an opportunity to collaborate more with our stakeholders.

The table below shows the outcomes of Nestlé's most recent materiality analysis in 2014. The UNGP Reporting Framework has been adopted since then, so the 11 salient issues are not necessarily reflected in their entirety in this table. However, they will be taken into account in Nestlé's next materiality analysis in 2016.

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/business channels	Consumers
<p><b>Business ethics</b></p> <p>Upholding ethical principles in the business and workplace.</p> <p><b>Sub-issues defined</b></p> <ul style="list-style-type: none"> <li>• <b>Consumer privacy:</b> the handling and protection of sensitive personal information that individuals provide in the course of everyday transactions with companies.</li> <li>• <b>Executive compensation:</b> fair compensation for executives to reward personal and company performance.</li> <li>• <b>Fair taxes:</b> payment of taxes in accordance with laws and in a way that is proportionate to size and contributes to society.</li> <li>• <b>Governance and transparency:</b> developing structures that enable oversight, accountability and transparency at all levels of the business.</li> <li>• <b>Fraud, bribery and corruption:</b> zero tolerance towards deception, trickery, breach of confidence, abuse of power or an offer of advantage to gain unfair or dishonest advantage.</li> </ul>	●	●	●	●	●

G4-2, Investment G4-DMA, Non-discrimination G4-DMA, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Indigenous rights G4-DMA, Supplier human rights assessment G4-DMA, Human rights grievance mechanisms G4-DMA, Anti-corruption G4-DMA, Compliance G4-DMA (Society), Customer health and safety G4-DMA, Customer privacy G4-DMA, Compliance G4-DMA (Product responsibility)

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 suppliers	Nestlé	Retail/ business channels	Consumers
<b>Human rights</b> Promoting respect for the basic rights and freedoms to which all people are entitled. <b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Child labour:</b> employment of children in any work that deprives children of their childhood, interferes with their ability to attend regular school, and that is mentally, physically, socially or morally dangerous and harmful.</li> <li>• <b>Labour rights:</b> respecting labour rights and having positive relations with unionised employee groups and representatives.*</li> <li>• <b>Land rights:</b> acquisition of land and accompanying resources while respecting existing land rights.</li> <li>• <b>Human rights in the upstream supply chain:</b> among Nestlé suppliers, promoting respect for the basic rights and freedoms that all people are entitled to.</li> </ul> <small>*Issue is covered in the chapter on Our people.</small>	●	●	●	●	●
<b>Food safety</b> Ensuring a high quality product and preventing health risks arising from handling, preparation and storage throughout the value chain.	●	●	●	●	●

## Our commitments

Our commitments reflect the material issues of our business and help shape our strategy for continuous improvement:

- [Assess and address human rights impacts in our operations and supply chain;](#)
- [Eliminate child labour in key commodities;](#)
- [Work against corruption and bribery;](#) and
- [Ensure that all employees and stakeholders can easily report possible compliance violations.](#)

Our progress against the commitment objectives is indicated throughout the chapter using the following icons:

- Achieved
- ◐ In progress
- ◑ Not yet achieved
- ⊕ New objective



Respect for human rights has always been part of how we go about business – not because it is an obligation, but because it is just the right thing to do."

**Paul Bulcke, Chief Executive Officer, Nestlé**

(Keynote speech at the annual UN Forum on Business and Human Rights, Geneva, Switzerland, December 2014)

## Governance and management systems

Responsibility for the supervision and management of the Group ultimately rests with the Chairman, the CEO and other members of the Executive Board, supported by a number of other governance bodies, including our Group Compliance Committee. All relevant functions within the Group are represented at senior level, and minutes of the committee's meetings are shared with the CEO.

Specific activities of the committee include:

- Driving Nestlé's cross-functional compliance programme and key compliance initiatives and continuously enhancing the compliance culture across the Group;
- Providing a platform for internal coordination;
- Receiving briefings on compliance-related initiatives and providing cross-functional input;
- Identifying deviations from best practice and driving the implementation of appropriate action; and
- Promoting the implementation of the Nestlé *Corporate Business Principles* and other policies.

The Human Rights Working Group (HRWG) complements the mandate of the Group Compliance Committee by focusing on human rights-related issues exclusively. Other important bodies dealing directly or indirectly with human rights and compliance issues include the Nestlé in Society Board, the Issues Round Table, the Operations Water Task Force, the Child Labour and Women's Empowerment Steering Group, and the Nestlé Water Task Force.

Our commitment to work against corruption and bribery is integral to the [Corporate Business Principles](#), the [Nestlé Code of Business Conduct](#) and [The Nestlé Supplier Code](#). Our Human Resources, Legal and Group Compliance departments work together to train employees in these policies and to monitor behaviour. Ensuring local compliance is the responsibility of each country business leader.

Anti-corruption is included within the Corporate Compliance Framework, a dedicated compliance function that reports to the Group Compliance Committee and the Executive Board. Nestlé also demonstrates its commitment to business integrity through being a signatory to the [United Nations Global Compact](#). Principle 10 of the compact requires signatories to work against corruption in all its forms.

 **Find out more** about our [governance structure](#).

## Our policies and standards

To maintain best practice, our teams are guided by a series of policies, procedures and documents, including:

- [The Nestlé Corporate Business Principles](#);
- [The Nestlé Code of Business Conduct](#);
- [The Nestlé Management and Leadership Principles](#);
- [The Nestlé Supplier Code](#);
- [The Nestlé Responsible Sourcing Guideline](#);
- [The Nestlé Quality Policy](#);
- [The Nestlé Commitment on Rural Development](#);
- [The Nestlé Commitment on Land & Land Rights in Agricultural Supply Chains](#);
- [The Nestlé Commitment on Child Labour in Agricultural Supply Chains](#);
- The Flexible Work Environment at Nestlé;
- [The Nestlé Maternity Protection Policy](#);
- [The Nestlé Consumer Communication Principles](#);
- [The Nestlé Employee Relations Policy](#);
- [The Nestlé Policy on transparent interaction with authorities and organisations](#);
- The Nestlé Privacy Policy (internal);
- Nestlé Group Security: Objectives, Operational and Organisational Requirements;
- The Nestlé Policy on Conditions of Work and Employment (internal);
- [The Nestlé Human Resources Policy](#);
- [The Nestlé Commitment on Water Stewardship](#);
- [The Nestlé Marketing Communication to Children Policy](#);
- [The Nestlé Commitment on Labour Rights in Agricultural Supply Chains](#); and
- [Guidance on Nestlé's Commitment against Bribery and Corruption](#).

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 eight [International Labour Organization \(ILO\) Fundamental Conventions](#);
- The [ILO Tripartite Declaration](#);
- [The International Bill of Human Rights](#);
- The [OECD Guidelines for Multinational Enterprises \(2011\)](#);
- The [UN Global Compact's Ten Principles](#); and
- The [UN Framework and Guiding Principles on Business and Human Rights](#).

 **Read more** about our [policies covering human rights](#).

## Engagement and collaboration

The achievement of our human rights and compliance goals is not something we can reach alone. To ensure our work in these areas is directed effectively, we have formed partnerships with key external organisations. In particular, we work closely with the [Danish Institute for Human Rights \(DIHR\)](#) to roll out our Human Rights Due Diligence Programme (HRDDP) throughout our operations worldwide and with the [Fair Labour Association \(FLA\)](#) to address labour-related issues, including child labour, in our supply chains.

# Human rights

We keep our responsibility to respect human rights at the forefront of our business by continually reviewing and assessing the human rights risks of our business activities. We strive to prevent and address any negative impacts that we may have on the rights of those whom we employ, do business with or interact with along our value chain. Through carefully determining a balance between compliance and continuous improvement on the one hand, and transparency and confidentiality on the other, we adapt our approach to the local circumstances where we operate.

## Human rights reporting: for an integrated approach

Thanks to our five years' experience of rolling out our Human Rights Due Diligence Programme (HRDDP) across our business activities in various countries, we now have a better understanding of what our human rights priorities are. We are determined to manage these salient human rights issues – those human rights at risk of the most severe negative impacts through the company's activities and business relationships. We achieve this through our HRDDP and a dedicated action plan for each issue identified as salient. Some of them are rooted in economic, social and cultural realities that take time to change, especially when they are located far up our supply chain. In such cases, we are committed to using the leverage that we have through the industry, our suppliers and other stakeholders to address these issues and align them with international human rights standards.

This year, for the first time, together with [Shift](#) we are using the UNGP Reporting Framework to report on the progress we have made – and the challenges that we face – in this area.

The last few years have seen the emergence of a multitude of new projects and initiatives in the area of business and human rights, many of them focusing on transparency and reporting. The California Transparency in Supply Chains Act (2010), the [EU non-financial reporting and diversity information directive](#) (2014) and the [UK Modern Slavery Act](#) (2015) are just a few examples that illustrate how this trend has materialised at national and regional levels.

To meet growing expectations for more transparency and clarity from regulators, investors, civil society organisations and others, we have opted for an integrated approach to human rights reporting that is based – for the first time – on the UNGP Reporting Framework.

Instead of releasing a stand-alone report on human rights, we have opted to include reporting against the UNGP Reporting Framework as part of our annual CSV report. The [Corporate Human Rights Benchmark](#) initiative that is being developed by the [Institute for Human Rights and Business](#), the [Business & Human Rights Resource Centre](#) and a group of investors, has also helped us frame the way in which we will be reporting our human rights in the future.

This chapter, therefore, describes our overall approach to human rights, including the governance structure in place (UNGP Reporting Framework Part A) and the focus of reporting (UNGP Reporting Framework Part B), while details about how we manage specific salient human rights issues are provided in the relevant sections of this report ([UNGP Reporting Framework Part C](#)).

This integrated approach fits perfectly with the way we have approached human rights at Nestlé since 2010. Integrating human rights into our existing policies, procedures and management systems has always been our objective. We firmly believe that this is the only way to embed human rights considerations into our daily business activities across the company wherever we operate. Our entire HRDDP has been structured with this principle in mind and will continue to serve this purpose in the future.

**Our commitment****Assess and address human rights impacts  
in our operations and supply chain**

## Focusing on salient human rights issues

**Our objective**

- ⊕ **By 2016** – Develop action plans and targets for each human rights risk identified as salient (Freedom of association and collective bargaining; Working time; Workers' accommodation and access to basic services; Safety and health; Living wage; Data protection and privacy; Child labour; Forced labour; Land acquisition; Access to water and sanitation; Access to grievance mechanisms).

**Scope**

The 11 salient human rights issues that we have identified span our value chain. They reflect the scope of our business activities and the potential impacts we have on the people we employ, do business with or otherwise interact with throughout our entire value chain.

Based on these 11 salient issues, we have identified six groups of rights holders who are particularly at risk:

- Our own employees;
- On-site contractors;
- Suppliers and, in particular, their employees;
- Farmers and farm workers;
- Local communities; and
- Consumers.

As reflected in the table on [page 228](#), several rights holders can be at risk for each salient issue. This means that, in total, there are 40 risks to rights holders that we think are important for our company, because of the potential negative human rights impacts associated with them.

In addition, during the process of identifying salient issues, discrimination was identified by external stakeholders as an issue that cuts across issues and should be integrated into the action plans that we will develop on each salient issue in 2016.

For now, no specific geographical areas have been identified as priorities for each issue. This work will be done as part of the development of action plans to assess where resources should go first, based on the levels of risks to rights holders.

**Defining salient human rights issues**

A company's salient human rights issues are those human rights that are at risk of the most severe negative impact through its activities on business relationships.

**Integrating human rights into the mainstream**

With transparency ever more essential in today's business environment and with stakeholders increasingly wanting to know how companies operate, businesses need to demonstrate clearly how they deliver their commitment to respecting human rights. The UNGP, which Nestlé was one of the first companies to adopt, provide specific indicators and guidance that helps companies report more comprehensively on their overall human rights approach, performance and challenges.

Complementing the Global Reporting Initiative's (GRI's) G4 reporting standards, which Nestlé also use, the UNGP Reporting Framework makes companies look beyond the traditional corporate risk management and materiality approaches by identifying salient human rights issues that are the most severe to rights holders.

The Reporting Framework is both a reporting and a management tool. By using it this year for the first time we have been able to:

- Improve the way we report on human rights, in particular in areas like policy commitments and governance (see our [Human Rights Due Diligence Programme](#));
- Further align our reporting efforts with international standards, and in particular with the UNGP; and
- Identify salient human rights issues that have now become priorities for the company and will lead to dedicated action plans being developed by the relevant functions, and implemented in country operations (see our new corporate commitment on this).

Based on our experience, the UNGP Reporting Framework can help companies to position human rights as integral to their activities, integrating them in the mainstream of what they do and how they operate on a daily basis. By further embedding human rights into our activities in this way, Nestlé is ensuring that they form an essential part of the way we do business.

Salient human rights issues	Rights holders						Governance		References in this report
	Employees	On-site contractors	Suppliers	Farmers & farm workers	Consumers	Local communities	Lead function	Support functions	
1 Freedom of association and collective bargaining	●	●	●	●			Human Resources	Procurement (CO-PRO)	Our people, <a href="#">p276</a>
2 Working time	●	●	●	●			Human Resources	CO-PRO	Our people, <a href="#">p275</a>
3 Workers accommodation and access to basic services	●	●	●	●			Human Resources	CO-PRO	Our people, <a href="#">p275</a> Rural development, <a href="#">p98</a>
4 Safety and health	●	●	●	●		●	Safety, Health & Environment	Human Resources; CO-PRO; Agriculture (CO-AGR); Engineering; Manufacturing; Supply Chain; Sales; Group Risk Services; Security	Our people, <a href="#">p281</a>
5 Living wage	●	●	●	●			Human Resources	CO-PRO; CO-AGR	Our people, <a href="#">p275</a> Rural development, <a href="#">p98</a>
6 Child labour			●	●			CO-PRO	Strategic business units (SBUs); CO-AGR	Human rights and compliance, <a href="#">p239</a> Rural development, <a href="#">p113</a>
7 Forced labour			●	●			CO-PRO	SBUs; CO-AGR	Human rights and compliance, <a href="#">p229</a> Rural development, <a href="#">p98</a>
8 Land acquisition						●	CO-PRO	Operations	Human rights and compliance, <a href="#">p234</a>
9 Access to water and sanitation	●	●	●	●		●	CO-Water	Operations	Water, <a href="#">p141</a>
10 Access to grievance mechanisms	●	●	●	●	●	●	Compliance	Public Affairs	Human rights and compliance, <a href="#">p237</a>
11 Data protection and privacy	●			●	●				Human rights and compliance, <a href="#">p248</a>

Discrimination

Market Compliance Committees

In 2015, we very much focused our work on identifying salient human rights issues, and we are committed to addressing each of these issues through the implementation of our action plans. We examine each of these issues in more detail in the sections of the report highlighted above. Some, such as safety

and health, are covered in greater detail than others. This is simply because we have been active in those issues for longer, and does not reflect their relative importance to our business or our stakeholders. We are committed to addressing all of the salient issues we have identified.

## Identification process

### Business risks versus risks to rights holders

Since 2008, we have had in place a process whereby we evaluate the impacts that human rights risks might have on the company, whether from a reputational, operational or legal perspective (see [page 233](#)). This exercise has been extremely useful for us not only in identifying the main risks for the company but also in developing targeted actions to manage them effectively.

The concept of salience adds another dimension to the definition of risks by focusing exclusively on rights holders. This had a direct impact on the way we look at risks and how we evaluate them. For example, instead of trying to quantify the potential impact of child labour on our reputation, we tried to assess the level of severity (in terms of scale, scope and remediability) that child labour represents for children deprived of access to education and having to carry out hazardous tasks in our direct and agricultural supply chains.

Interestingly, this shift of emphasis from business risks (materiality) to risks to rights holders (salience) has not significantly changed the outcomes of our human rights risk assessment process: most of the risks that are high (or severe) for rights holders had already been identified as high for the company. In our view, this is mainly due to the combination of two factors. With more than one billion Nestlé products sold every day, we are a major consumer-facing company, with a high international profile and exposure. This is reinforced by the fact that, with the widespread use of social media, among other factors, there are no longer local risks for multinational companies: any issue that we face in our operations or supply chains at the local level has a direct impact on our reputation globally. This certainly applies to human rights impacts that would have a severe effect on rights holders.

Some items were added to the list of salient issues, though they had not been identified as high risks for our business. An example was access to grievance mechanisms. While the likelihood that our reputation is affected – or our operations disrupted – by a lack of access to a grievance mechanism is low (business risk), this was considered to be a high risk to rights holders. Based on our experience, more effort needs to be made to ensure that all our employees – the workers employed in our direct and indirect supply chain, local communities and consumers – have an effective way to raise concerns about human rights-related issues and non-compliances.

The list of 11 salient issues is based on a thorough internal and external consultation process. Internally, the first list of salient issues was proposed to the HRWG in early 2015. This list was based on the results of the Human Rights Risk Assessment Matrix 2014. This matrix builds on the company's experience evaluating human rights issues. It is based on the results from the different monitoring tools and processes we have in place, combined with the experience of the members of the HRWG themselves, and the expert inputs from our main partners in this area, the [Danish Institute for Human Rights \(DIHR\)](#) and the [Fair Labor Association \(FLA\)](#).

Once consolidated internally, the list of salient human rights issues was presented and discussed at the [Nestlé stakeholder convening](#) that we organised in Washington DC, USA, in December 2015. Participants in the human rights breakout session represented some of the leading non-governmental organisations (NGOs), UN organisations, law firms, business associations and experts from academia on the topic of business and human rights.

The stakeholders proposed the following changes, which have all been reflected in the final version of the salient human rights issues:

- Split child labour and forced labour, which were initially combined as one salient issue. These two issues have different geographical scopes and different root causes, and should, therefore, be looked at and dealt with separately; and
- Add discrimination as an issue that cuts across all the salient human rights issues. While stakeholders understood that – based on our own data, results and experience – discrimination may not have been identified as a salient issue, they strongly suggested that this issue be incorporated into the action plans that will be developed for the 11 salient issues next year.

While all stakeholders agreed on the growing importance of data protection and privacy, some of them challenged the salience of this issue for a company like Nestlé, in particular compared to IT companies, for example. However, based on further internal considerations, we decided to keep this issue on the list mainly because of its scale (risk to all our employees and consumers).

### Governance structure

Each [salient issue](#) will be managed by a specific function within the company with the active support of relevant functions. This will improve our [overall governance structure on human rights](#) and make the work and mandate of the HRWG more operational. In addition to its original role, the HRWG will be in charge of monitoring the proactive management of the 11 salient issues. To facilitate this work, we publicly committed to develop action plans and targets for each salient issue by the end of 2016.

The identification of salient issues will, therefore, make our human rights interventions more targeted and better coordinated across the company.

As the development of action plans and targets for each human rights risk identified as salient is one of our new corporate commitments, progress on this front will be reported to the Executive Board on an annual basis.

### Beyond salient issues

Clearly, this list of salient issues will help us focus our human rights interventions and come up with comprehensive action plans in order to make a real difference on the ground, both individually as a company and collectively through the industry.

However, having identified salient issues doesn't mean that we will leave out the other human rights issues that are enshrined in the International Bill of Rights and the ILO's eight Core Conventions.

Our tools and procedures will continue to monitor issues that have not been identified as salient but that are important for our company, such as harassment, discrimination, security and human rights, corruption, bribery and marketing to children. In addition, our Human Rights Impact Assessments (HRIAs) will continue to look at all potential human rights issues that we may face in the countries in which we operate. Finally, the Human Rights Risk Assessment Matrix will continue to focus on high, medium and low risks that include – but also go well beyond – salient human rights issues.

## Human Rights Due Diligence Programme

Through our HRDDP, we implement our actions to assess, prevent and address potential human rights impacts, to improve our performance on the ground, and to gather data to measure our performance.

Human rights touch upon many different issues and functions within a company. Through eight operational HRDD pillars, we aim to make our approach to human rights strategic, comprehensive and unified across all our business activities.

Every year, we report on our human rights performance against these eight elements and the GRI indicators. This year, we are also reporting against the [UNGP Reporting Framework](#) as part of this report.

## Pillar 1: Policy commitments

**Our approach:** we mainstream human rights into corporate policies and commitments to make them operational.

The Nestlé *Corporate Business Principles* shape the way we do business and they form the basis of our culture, our values and our Creating Shared Value strategy. Principle 4, entitled 'Human rights in our business activities', is the foundation of our overall approach to human rights. The *Corporate Business Principles* were signed by Nestlé's Chairman and CEO and released in 2010, before the UNGP was approved by the UN Human Rights Council. The *Corporate Business Principles* have been distributed to all our employees, who must all comply with the principles, and e-learning on the principles will be available to all employees by 2017.

 **Read more** about our [Corporate Business Principles](#).

Building on Corporate Business Principle 4, since 2010 we



We have formally incorporated our human rights commitment into our *Corporate Business Principles* and into our Management Principles. These are the guiding principles we expect each and every Nestlé employee to live by, every day, wherever they are in the world. And these are not negotiable."

**Paul Bulcke, Chief Executive Officer, Nestlé**

(Keynote speech at the annual UN Forum on Business and Human Rights, Geneva, Switzerland, December 2014)

have integrated human rights elements in 17 different corporate policies and commitments. This has helped us make human rights part of our employees' day-to-day activities and responsibilities.

## Nestlé policy commitments

Name of policy or procedure	Approval date	Rights holders	Human rights issue addressed
Nestlé Employee Relations Policy	2010	Nestlé employees	<ul style="list-style-type: none"> <li>Freedom of association and collective bargaining</li> </ul>
The Nestlé Policy on transparent interaction with authorities and organisations	2010	Public officials Citizens	<ul style="list-style-type: none"> <li>Corruption and bribery</li> <li>Lobbying</li> </ul>
Flexible Work Environment at Nestlé	2010	Nestlé employees	<ul style="list-style-type: none"> <li>Working time (work–life balance)</li> </ul>
Privacy Policy	2010	Nestlé employees Consumers Other stakeholders (e.g. suppliers, service providers)	<ul style="list-style-type: none"> <li>Data privacy</li> </ul>
Nestlé Consumer Communication Principles	2011	Consumers (including children)	<ul style="list-style-type: none"> <li>Right to information</li> <li>Health</li> </ul>
Nestlé Group Security: Objectives, Operational and Organisational Requirements	2011	Nestlé employees Local communities	<ul style="list-style-type: none"> <li>Security staff’s training on use of force</li> </ul>
Nestlé Policy on Conditions of Work and Employment	2011	Nestlé employees On-site contractors	<ul style="list-style-type: none"> <li>Working time</li> <li>Competitive and fair wages</li> <li>Health and safety</li> </ul>
Nestlé Commitment on Rural Development	2012	Farmers Farm workers Local communities (rural)	<ul style="list-style-type: none"> <li>Living wage</li> <li>Working conditions</li> <li>Health and safety</li> <li>Health, water, education, gender, food</li> <li>Land tenure</li> </ul>
The Nestlé Human Resources Policy	2012	Nestlé employees	<ul style="list-style-type: none"> <li>Working conditions</li> <li>Freedom of association and collective bargaining</li> </ul>
The Nestlé Commitment on Child Labour in Agricultural Supply Chains	2013	Children (living in rural communities)	<ul style="list-style-type: none"> <li>Child labour</li> </ul>
Nestlé Responsible Sourcing Guideline	2013	Farmers Farm workers Local communities (rural)	<ul style="list-style-type: none"> <li>Child labour</li> <li>Fair wages</li> <li>Working time</li> <li>Housing</li> <li>Access to water and sanitation</li> <li>Privacy</li> <li>Health</li> <li>Freedom of association and collective bargaining</li> <li>Occupational health and safety</li> <li>Non-discrimination</li> <li>Land use rights</li> </ul>
The Nestlé Supplier Code	2013	Suppliers’ and co-manufacturers’ workers	<ul style="list-style-type: none"> <li>Freedom of association and collective bargaining</li> <li>Forced labour</li> <li>Employment practices (including use of agencies)</li> <li>Child labour</li> <li>Non-discrimination</li> <li>Harassment</li> <li>Privacy</li> <li>Working time (including rest days)</li> <li>Wages and benefits</li> <li>Health and safety</li> <li>Housing</li> </ul>

Name of policy or procedure	Approval date	Rights holders	Human rights issue addressed
The Nestlé Commitment on Land & Land Rights in Agricultural Supply Chains	2014	Farmers Farm workers Local communities (rural) Indigenous peoples	<ul style="list-style-type: none"> <li>Land tenure, including customary rights</li> <li>Free, prior and informed consent</li> </ul>
Nestlé Commitment on Water Stewardship	2014	Nestlé employees Local communities	<ul style="list-style-type: none"> <li>Access to water and sanitation</li> </ul>
Nestlé Marketing Communication to Children Policy	2015	Children	<ul style="list-style-type: none"> <li>Marketing to children</li> </ul>
Nestlé Commitment on Labour Rights in Agricultural Supply Chains	2015	Suppliers' workers Farm workers	<ul style="list-style-type: none"> <li>Freedom of association and collective bargaining</li> <li>Forced and bonded labour</li> <li>Child labour</li> <li>Health and safety</li> <li>Accommodation and basic needs</li> <li>Working time</li> <li>Living wage</li> </ul>
Maternity Protection Policy	2015	Nestlé employees	<ul style="list-style-type: none"> <li>Right to social security, including social insurance</li> </ul>

### Our achievements in 2015

This year, we released a new Nestlé Commitment on Labour Rights in Agricultural Supply Chains that summarises and clarifies how we address labour-related risks in agricultural supply chains in particular. It builds upon existing Nestlé policies in this area (see table above), as well as on the existing work of our HRIAs, our Responsible Sourcing programme and our Farmer Connect activities. Read more in the [Rural development chapter](#).

We also revised and strengthened our [Marketing Communication to Children Policy in 2015](#), and published our global [Maternity Protection Policy](#).

#### Our objective

- **By 2015** – Include human rights across all 12 categories covered by the Nestlé *Responsible Sourcing Guideline*.

Human rights became fully integrated into the Nestlé Responsible Sourcing Guideline in 2013 and the Nestlé Supplier Code in 2014, ahead of schedule. Consequently, they are now integral to our development work across all our 12 key commodity categories.

 **Find out more** about our [responsible sourcing](#).

### Pillar 2: Stakeholder engagement

**Our approach:** we engage with key stakeholders to get global and local insights into our human rights performance.

Human rights have been systematically integrated as part of our annual stakeholder convenings, which gather representatives from government agencies, international organisations, trade unions, business associations, civil society organisations and academia. In addition to these convenings, we engage with key local stakeholders as part of our in-country Human Rights Impact Assessments (HRIAs) (see [page 234](#)). The combination of global and local expert inputs offers us a unique opportunity to incorporate new ideas and perspectives into our overall approach to human rights.

At the industry level, we engage with different business organisations – such as the World Business Council for Sustainable Development (WBCSD), the Consumer Goods Forum (CGF) and the UN Global Compact (UNGC) – to advance the business and human agenda in a pre-competitive manner, and invite more companies to join. We are also an active member of several multi-stakeholder initiatives, such as the [Child Labour Platform](#).

We continued our dialogue with the Swiss NGO consortium Alliance Sud on business and human rights-related issues in Colombia and other countries. We also participated in the multi-stakeholder consultation process for the development of a Swiss national action plan on business and human rights. Further demonstrating engagement at the highest level, our CEO Paul Bulcke met with Zeid bin Ra'ad, the UN High Commissioner for Human Rights in January, as well as with Guy Rider, Director-General of the International Labour Organization (ILO) in November of this year.

## Our achievements in 2015

We held two stakeholder convenings in 2015 – one in London, UK, and one in Washington DC, USA – where we discussed human rights-related issues with expert stakeholders as part of dedicated breakout sessions. In Washington DC, we presented our stakeholders with the new list of our [salient human rights issues](#) to get their feedback and inputs.

On the industry front, as part of the CGF's new Sustainability Steering Committee, we [actively promoted a resolution on forced labour that is aligned with the UNGP](#). We also contributed to a webinar organised by the WBCSD on human rights reporting, sharing our experience in piloting the new UNGP Reporting Framework. As part of the UNGC, our Group General Counsel actively participated in the work that led to the development and release of the [Business for the Rule of Law Framework](#) and the [Guide for General Counsel on Corporate Sustainability](#).

### Pillar 3: Training and awareness raising

**Our approach:** we develop the awareness and the skills of our employees in order to make their work-related decisions and actions aligned with human rights.

Our training is delivered at two different levels. At the global level, we have developed an online human rights training module for Nestlé employees. The objectives of these modules are to:

- Make all employees aware of the company's position regarding human rights and inform them about the relevant Nestlé policies and procedures;
- Share with them good practice examples based on our experience in this area; and
- Make them think – individually and collectively – about human rights issues, challenges and opportunities in their own work environment.

At the functional level, we have developed specific training modules for targeted departments with the company. These aim to go one step further than the online training, as they focus on issues that are specific to the function, using real-life case studies or imagined scenarios. These face-to-face training sessions are delivered together with a human rights 'champion' from the department, usually a member of the HRWG (see [page 224](#)).

## Our achievements in 2015

### Our objective

- **By 2015:** All FTSE4Good Countries of Concern where we operate are covered and our employees trained to reduce human rights risks in our operations. (FTSE4Good is an ethical stock market index series of the London Stock Exchange, designed to measure objectively the performance of companies that meet globally recognised responsibility standards.)

In 2015, we trained 8130 (2.4%) employees on human rights across nine FTSE4Good Countries of Concern. (The FTSE4Good is the ethical stock market indices of the *Financial Times* and the London Stock Exchange, and is designed to measure objectively the performance of companies that meet globally recognised corporate responsibility standards.)

Since the launch of our online human rights training tool in 2011, 72 778 (27.71%) employees in 66 countries have been trained. Direct engagement with the relevant departments allows us to tailor human rights training to the specific issues they face in their daily activities.

### Pillar 4: Risk evaluation

**Our approach:** we evaluate human rights-related risks in order to manage them proactively.

Our exposure to human rights risks (reputation, liability, operations, etc.) is evaluated annually at corporate level by the HRWG, with inputs from the DIHR. Each risk entry is rated across four different levels: Nestlé facilities, Tier 1 suppliers, upstream suppliers (including farmers) and local communities.

Risk ratings are based on likelihood and impact. Information and data from issue and crisis management systems, media (including social media) monitoring mechanisms, and CARE and Responsible Sourcing Audits, as well as the results of the HRIAs, feed into the annual review process.

The results of this exercise are integrated into our Enterprise Risk Management (ERM) system. Each risk identified as high comes with a specific action that is presented to the Executive Board as part of the annual ERM review process.

This risk-to-the-business approach complements the concept of 'salience', which focuses on [risks to the rights holders](#).

## Our achievements in 2015

In 2015, we identified 40 high risks that have all been reflected in the list of [salient issues](#). In addition to this list, we have also identified opportunities for improvement, for example around the level of awareness, skills and capacity from local management on human rights, and our capacity to deal, in a proactive manner, with labour-related issues in the agricultural supply. We will continue to address these challenges in 2016, through the roll-out of our Human Rights Due Diligence Programme in our operations globally and the inception of the Market Compliance Committees, and by strengthening our resources on responsible sourcing.

## Pillar 5: Impact assessment

**Our approach:** we assess human rights impacts in our business activities to address them effectively.

HRIAs are an invaluable source of information about the positive and negative impacts that our business activities may have on people with whom we work, do business with and interact with along our entire value chain – i.e. the rights holders – in a specific country. We described the full methodology that we use to conduct our HRIAs in the [Talking the Human Rights Walk](#) publication that we released together with the DIHR in December 2013.

HRIAs provide us with a unique opportunity to get feedback and input from Nestlé employees, including trade union representatives, suppliers, farmers, local communities and other stakeholders (i.e. international organisations, local NGOs, academics, etc.) in high-risk countries. They enable us to learn a great deal about the challenges we face on the ground, and to implement action plans that address any gaps between international human rights standards and current practice within the countries where we operate.

### Our objective

- ⊕ **By 2018** – Carry out six additional human rights impact assessments in countries where we have significant business operations.

## Our achievements in 2015

We conduct specific HRIAs in high-risk countries, based on the list of Countries of Concern established by FTSE4Good. In 2015, we carried out two HRIAs, in Myanmar and China, taking the cumulative total conducted since 2010 to 11. Planned HRIAs in Egypt and Saudi Arabia were postponed due to the countries' political and security situation.

We now have a new objective to complete a further six by 2018.

## Assessing Nestlé's potential and actual impacts in Myanmar: the perspective from the Danish Institute for Human Rights

Given the country's human rights record and ongoing conflict, doing business in Myanmar does not come without serious risks of having adverse impacts on human rights. Labour rights violations, land confiscations and the lack of consultation of communities are a few examples of human rights abuses associated with foreign investment in Myanmar. Companies operating in the country are expected to practice heightened human rights due diligence.

In February 2015, Nestlé decided to carry out a HRIA with the DIHR. Before the in-country assessment, the team conducted thorough desk-based research to understand relevant human rights issues for a food and beverage company operating in Myanmar. The two-week, in-country assessment was kicked off by a workshop on human rights and business for the Nestlé Myanmar management team, followed by more than 70 interviews with stakeholders to assess the potential and actual human rights impacts of Nestlé Myanmar's operations. This included Nestlé Myanmar management and staff, business partners, civil society and trade union representatives, UN agencies and community-based organisations, as well as coffee farmers and workers. The assessment team looked at three areas of business activities:

- Nestlé Myanmar's current activities, which focused on distribution through its joint venture partner Myanmar Distribution Group;
- Nestlé's future activities, focusing on its packaging factory in an industrial zone in Yangon; and
- Potential coffee-sourcing activities in two regions, Shan State and Kayin State. Currently, Nestlé operates a demonstration farm and conducts training for coffee farmers in Kayin State only.

During the assessment, the team identified a number of potential impacts on human rights common among companies operating in a context like Myanmar. Generally, in Myanmar there is a lack of awareness of what responsible business means; in the local context, this is often considered as philanthropy rather than doing no harm. Other challenges include a lack of awareness of labour rights, including freedom of association among company staff and employees. To address this, Nestlé Myanmar and its joint venture partner will take part in training on responsible business conduct in Myanmar and will ensure an ongoing engagement with labour rights experts.

While Nestlé currently does not source coffee and is not directly involved in land acquisition, for future operations the company will need to be particularly careful to make sure it is not linked to abuses of land rights, which are widespread throughout the country. Other risks relate to doing business in conflict-affected regions in the country, where local communities may like to see peace first before foreign investors enter. To mitigate such risks, Nestlé Myanmar will engage with organisations specialising in the nexus between business and conflict, and will consult local communities.

As a multinational operating in Myanmar, Nestlé will need to ensure that in all its activities and business relationships – from factories to demonstration farms – labour, land and community rights are respected. Further to this, Nestlé can draw on lessons from its business activities in other contexts to demonstrate and share its best practices, for example in the areas of occupational health and safety and wastewater treatment.

## Pillar 6: Governance

**Our approach:** we establish clear roles and responsibilities at different levels of the company. Nestlé's top management commitment and leadership on human rights is reflected at different stages of the company.



Someone who leads an organisation like the one I have the privilege of leading has an obligation and responsibility to be outspoken about this, to show full commitment and leadership on the human rights agenda, not out of convenience but out of conviction."

### Paul Bulcke, Chief Executive Officer, Nestlé

(Keynote speech at the annual UN Forum on Business and Human Rights, Geneva, Switzerland, December 2014)

The Nestlé in Society Board is the highest level where an update on human rights is provided to Executive Board members on a regular basis. The Nestlé in Society Board is assisted in this task by the HRWG, which meets to:

- Supervise and coordinate the progress made on the implementation of the HRDDP at the corporate and market levels against Nestlé's commitments;
- Provide strategic orientation on areas that need to be prioritised to embed human rights further into the mainstream of Nestlé's structure and operations;
- Contribute technical expertise to ongoing and future human rights initiatives and activities; and
- Pre-empt and discuss specific Nestlé-related human rights issues and any action to be taken.

The heads of the following departments and functions are members of the HRWG: Human Resources (Co-Chair); Public Affairs (Co-Chair); Legal; Compliance; Security; Procurement; Safety, Health and Environment; and Risk Management.

In addition to the HRWG, other groups that are chaired by an Executive Board member have human rights as part of their scope of work, including:

- Group Compliance Committee;
- Issues Round Table;
- Child Labour and Women's Empowerment Steering Group;
- Operations Water Task Force;
- Nestlé Water Task Force; and
- Seafood Task Force.

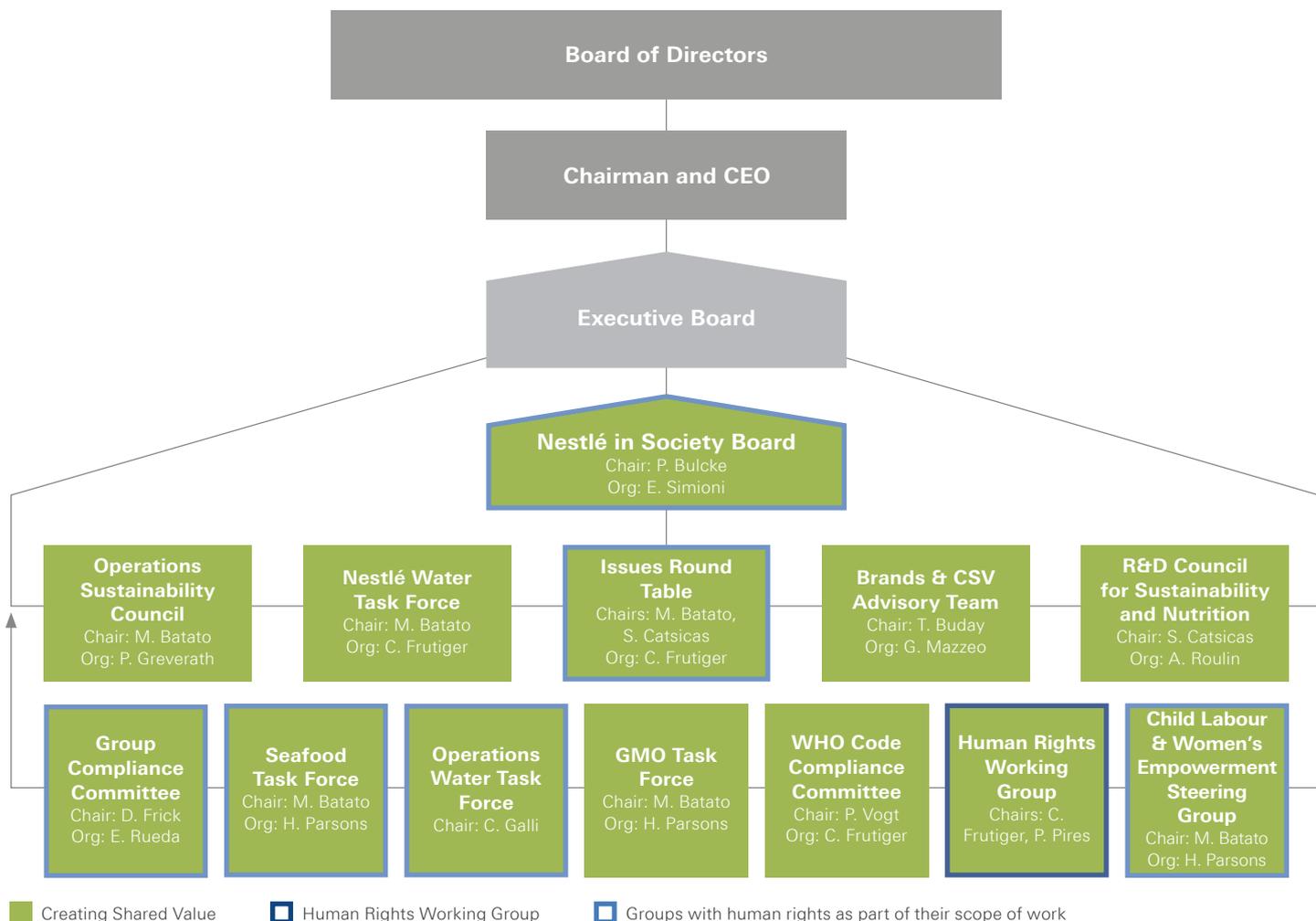
### Our achievements in 2015

In 2015, the HRWG played a pivotal role in defining what the company's human rights priorities (salient issues) should be.

Clear responsibilities have been attributed to the relevant HRWG members for the elaboration and implementation of the action plan for each priority, further strengthening the role that the HRWG plays in the coordination of Nestlé's overall human rights approach. Starting in 2016, the HRWG will, therefore, be in charge of monitoring the development and implementation of these action plans.

The HRWG has also identified the Market Compliance Committees as the main channels for driving the human rights agenda at the country level. This approach will be piloted in 2016.

## Internal governance structure showing groups with human rights as part of their scope of work



### Pillar 7: Partnerships

**Our approach:** we partner with leading organisations to improve our human rights performance on the ground and deliver on our commitments.

The [Danish Institute for Human Rights \(DIHR\)](#), Denmark's national human rights institution, has been our main partner in this area from the beginning of our journey in 2008. It plays a particularly important role as part of the HRIAs but is also actively involved in the development and implementation of the other pillars. The institute brings to our approach the external expertise and criticism that is needed for us to keep improving.

The [Fair Labor Association \(FLA\)](#) has been a crucial element of our approach to child labour in the cocoa and hazelnut sectors. It is also actively contributing to the revision of our Supplier Code to align it with the FLA Code of Conduct.

#### Our achievements in 2015

Together with the DIHR, we carried out two HRIAs, in Myanmar and China (see [page 234](#)). The FLA carried out seven independent external monitoring exercises (four in Côte d'Ivoire

and three in Turkey) that have been made public on their website, together with our corrective action plans (see [Child labour](#) for more information). In addition, [Verité](#) carried out a comprehensive impact assessment of the labour conditions in the fish and seafood supply chain in Thailand, and produced recommendations that we are now addressing through an [action plan](#).

### Pillar 8: Monitoring and reporting

**Our approach:** we integrate human rights indicators into our management systems to monitor our progress and report on it annually.

Monitoring is key to verifying whether our human rights activities (policies, training, action plans, etc.) have been effectively integrated across the different levels of the company and into our business activities. All our major monitoring mechanisms now include relevant indicators that help us make our human rights monitoring broader, more systematic and continual.

The monitoring mechanisms we use for different areas of our operations and supply chain are summarised below:

## Our human rights monitoring mechanisms

	Policies	Programme	Monitoring mechanisms		Partners
			Audits/assessment	Grievance mechanisms	
Nestlé facilities	The Nestlé <i>Corporate Business Principles</i> Human rights-related policies	CARE programme Nestlé Group Audit (NGA) Programme	CARE audits NGA audits	Integrity Reporting System	SGS Intertek Bureau Veritas
Tier 1 suppliers	Nestlé Supplier Code	Responsible Sourcing Audit Programme	Sedex Members Ethical Trade Audits (SMETA) 4 Pillar	Tell us	SGS Intertek Bureau Veritas
Upstream suppliers	Responsible Sourcing Guideline	Responsible Sourcing Traceability Programme	Responsible Sourcing Guideline		FLA Verité

## Our achievements in 2015

We continued to scale up the [Tell us](#) external grievance mechanism as a pilot in 12 countries in 2015.

In consultation with Linklaters and the DIHR, we amended the Nestlé Due Diligence Questionnaire. In 2015, the

questionnaire, including strengthened human rights content, was made available to the relevant operational areas on the Mergers and Acquisitions system.

HRDD	In 2015, we...	Since 2010, we have...
<b>1 Policy commitments</b>	Released three new policy documents, on marketing communication to children, maternity protection and labour rights in agricultural supply chains.	Reviewed 17 Nestlé policies and procedures to include relevant human rights elements.
<b>2 Stakeholder engagement</b>	Organised human rights breakout training sessions as part of the Nestlé stakeholder convenings in London, UK, and Washington DC, USA.	Engaged with hundreds of stakeholders on global and local human rights issues and dilemmas.
<b>3 Training</b>	Trained 8130 employees on human rights in 9 countries.	Trained 72 778 employees on human rights in 66 countries.
<b>4 Risk assessment</b>	Identified 11 priorities (salient issues) that represented major risks to rights holders.	Identified 43 human rights risks as material for our business and included them as part of our ERM system.
<b>5 Impact assessment</b>	Carried out two HRIAs, in Myanmar and China.	Carried out 11 HRIAs.
<b>6 Internal coordination</b>	Strengthened the role of the HRWG around the implementation of the action plans for the 11 salient issues. Identified Market Compliance Committees as key drivers for human rights at the local level.	Integrated eight Nestlé department or functional heads as part of our HRWG.
<b>7 Partnerships</b>	Released an action plan on forced labour in the seafood supply chain based on an assessment performed by <a href="#">Verité</a> .	Signed two major partnerships, with the <a href="#">DIHR</a> and the <a href="#">FLA</a> .
<b>8 Monitoring and reporting</b>	Made available an amended version of our Mergers and Acquisitions Due Diligence Questionnaire that includes human rights elements.	Integrated human rights indicators into three of our monitoring systems: CARE audits, Responsible Sourcing Audits and the Integrity Reporting System.

**Percentage of contracts and significant investment agreements that include clauses incorporating human rights concerns, or that have undergone human rights screening**

	2013	2014	2015
Significant investment agreements	100% (2)	n/a	<b>n/a</b>
Contracts	100%	100%	<b>100%</b>

**Total number of operations, and percentage of suppliers and contractors that have undergone human rights screening**

	2013	2014	2015
Suppliers and contractors	100%	100%	<b>100%</b>
Operations	21	56	<b>255</b>

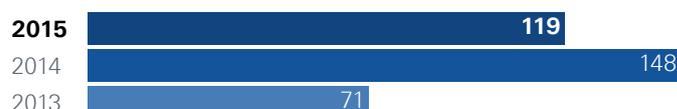
**Significant suppliers identified as having significant risks for incidences of child labour**

**Suppliers (cases)**



**Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms**

**Filed**



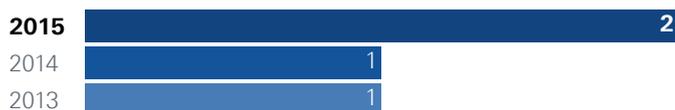
**Addressed and resolved**



**Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour**

	2013	2014	2015
Operations	0	0	<b>0</b>
Suppliers	149	174	<b>114</b>

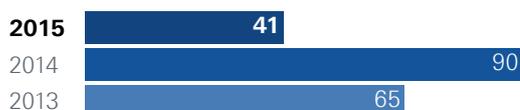
**Human Rights Impact Assessments completed**



**Number of significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk**



**Total number of supplier incidents of discrimination**



**Total hours of employee training and number of employees trained on policies and procedures concerning aspects of human rights that are relevant to operations**

**Total hours of employee training**



**Number of employees trained**



# Child labour

Nestlé is firmly opposed to all forms of child exploitation. We are committed to preventing and eliminating child labour wherever it occurs in our supply chain. To achieve this, we work with a range of different stakeholders to develop and implement meaningful solutions. Together, we have set up mechanisms to provide comprehensive monitoring, implemented effective remediation activities and provided targeted support where needed to local communities.

## Applying a comprehensive strategy

Our [Nestlé Corporate Business Principles](#) clearly state our opposition to all forms of child exploitation, and uphold the elimination of forced and compulsory labour. In addition, the Nestlé Supplier Code includes a strict prohibition on child labour and requires that all our direct (Tier 1) suppliers are independently audited. It builds upon definitions from the [ILO](#), Nestlé's *Corporate Business Principles* and experiences from Nestlé's own operations.

### Our commitment



### Eliminate child labour in key categories

In 2015, we maintained our commitment to fight child labour as a member of the [Child Labour Platform](#). The [Nestlé Commitment on Child Labour in Agricultural Supply Chains](#) – drawn up in consultation with expert external stakeholders, including the FLA, the DIHR and the [International Cocoa Initiative \(ICI\)](#) – is our strategy to tackle child labour in agricultural supply chains. Key elements of the strategy, which covers suppliers in all tiers of Nestlé's raw material supply chains, include:

- **Oversight:** we operate a Child Labour and Women's Empowerment Steering Group, chaired by Executive Board member Magdi Batato, to identify measures, take decisions and monitor progress;
- **Responsibility for management of the issue:** overall management responsibility by a named business unit for each high-risk category of raw material, and management of the situation at the country level;
- **Targeting high-risk commodities and children at risk:** assessment of the risk to children's rights, which include protection from economic exploitation and work that may be dangerous to their health, safety or morals and that may hinder their development or impede their access to education; a clear strategy to address the issue and its root causes, a focus on vulnerable groups (the children of migrant workers, girls, orphans and trafficked children), proactive work with suppliers, and termination of all business with suppliers unwilling or unable to comply;
- **Improving understanding and competence:** engaging specialist partners, providing staff training and guidelines to tackle child labour, and dialogue with civil society organisations; and
- **Delivering transparency:** communicating our commitments to suppliers and stakeholders, operating a complaints mechanism, monitoring progress, and reporting on actions and progress.

### Our objectives

- **By 2015** – Complete action plans to reduce child labour in our cocoa, hazelnut and vanilla supply chains, with 60 000 farmers trained on child work/labour practices, 60 schools built or renovated and 80% of co-operatives covered by a child labour monitoring and remediation system (100% by 2016).
- **By 2018** – Child labour risk assessments done for all 12 high-priority categories of raw ingredients and responsible sourcing strategies deployed to monitor and mitigate occurrences of child labour.

While our new objective for child labour risk assessments covers all 12 high-priority categories, child labour has been identified as a particular issue in our hazelnut, vanilla and cocoa supply chains. With low levels of income – about USD 2 (CHF 1.98) a day – vanilla farmers cannot always meet their basic needs, and often turn to children (usually from within the family unit) to help with farming. Child labour in our cocoa supply chain is a complex issue and gathering reliable evidence about attitudes and perceptions, as well as what's happening on the ground, is vital, but challenging. Therefore, we invited the [FLA](#) to help us examine our cocoa supply chain in Côte d'Ivoire, where child labour is still a reality. The FLA believes that the Nestlé Cocoa Plan and our participation in other initiatives provides a good foundation, but also sees a need for increased monitoring and accountability throughout the various tiers of the supply chain.

Our priority categories of raw material and countries of origin are currently [cocoa in Côte d'Ivoire](#), [hazelnuts in Turkey](#) and [vanilla in Madagascar](#). We regularly review priority areas to ensure we are focusing on those countries and supply chains most at risk. Where cases of child labour are found, we expect suppliers to consider each instance on an individual basis and always seek to solve the problem in the best interest of the child or children involved. To help suppliers in their assessments, we have developed an online e-learning tool to create greater awareness about which situations constitute child labour and how best to counteract it.

We have also introduced a new objective specifically to address the issue of child labour in the vanilla supply chain.



Read more in the [Rural development chapter](#).

## Monitoring and remediation in the cocoa supply chain

In 2015, we continued to implement our action plans to focus specifically on commodities and countries where there is a higher risk of child labour issues.

For our [cocoa supply chain](#), working with the [ICI](#), we created a CLMRS to operate in the Nestlé Cocoa Plan supply chain in Côte d'Ivoire, where we currently work with 79 co-operatives. The CLMRS covers awareness raising in local communities, data gathering about the circumstances of children in our supply chain, and providing cocoa farmers with the practical support and means to get their children back into school.

It complements other aspects of the Nestlé Cocoa Plan, which are designed to increase farmer productivity and income and so help them out of poverty.

In 2015, the CLMRS was extended to a further 18 co-operatives, taking the total to 40, and will cover all 79 co-operatives by 2016.

### The main actors of the CLMRS

- **Community Liaison People:** the initial, and integral, step of the CLMRS is active work with the communities where the farmers live. By the end of 2015, Nestlé had recruited 687 Community Liaison People (CLP). Their role is to engage with local community households to gather all the data that is required better to understand the environment in which they live and to identify issues related to child labour risks. In 2015, CLPs had interviewed 14 582 producers among the 24 470 registered cocoa farmers in 40 co-operatives; 26 679 children were included within these assessments. This data is collected through specific templates that the CLPs can access via cell phones provided by Nestlé and ICI. Once gathered, the information is consolidated by the Co-op Child Labour Agent (see below). The CLPs report situations in which children are at risk, and organise awareness-raising activities in the communities to prevent child labour. As a result of the CLMRS, by the end of 2015, 120 067 farmers and community members had attended 7044 community awareness sessions.
- **Co-op Child Labour Agents:** as part of the CLMRS, each farming co-operative that works with Nestlé appoints a Child Labour Agent. The agent is responsible for consolidating the information provided by the communities and passing this information along the chain. Furthermore, the agent proposes child labour prevention and remediation efforts based on the information and data collected in each community, and is responsible for ensuring that these activities are followed through. The CLMRS in Côte d'Ivoire currently involves 40 Child Labour Agents, and a total of 2019 agents, co-op managers, suppliers' staff members and Nestlé staff members were trained in child labour issues by ICI in 2015.

- **Suppliers:** suppliers are the next stage in the system. Nestlé currently works with six main suppliers in Côte d'Ivoire. Raising their awareness on child labour and building their capacities in this area is a key success factor of the CLMRS. So far, 158 suppliers' staff members, including agronomists, have received child labour training from ICI. Suppliers play a key role in the engagement process with the co-operative managers, explaining how the system works and what is expected from them as part of it.
- **Nestlé:** the last link in the chain is Nestlé. Nestlé Côte d'Ivoire has a dedicated child labour manager who coordinates the overall implementation and functioning of the CLMRS. In close collaboration with ICI, we seek to:
  - Ensure that the CLMRS is rolled out to all the Nestlé Cocoa Plan co-operatives by the end of 2016, and engage with individual co-operatives to secure their buy-in along this journey;
  - Participate in the recruitment process of the CLP and the Co-op Child Labour Agents;
  - Consolidate the data and information gathered through the system;
  - Make sure that each child labour case identified is remediated in a timely manner and in the best interest of the child or children involved; and
  - Develop a funding model for the system that is financially sustainable over the long term.

### Enabling organisations

The CLMRS would not function properly without the support provided by the ICI and the FLA, both of which play complementary roles as part of the system.

ICI is involved in work at a ground level, and has increased staff members to extend the roll-out of the system by:

- Recruiting CLP and Child Labour Agents;
- Designing, collating and coordinating the child labour database;
- Training all the different actors of the system on child labour but also on their role as part of the system;
- Conducting awareness-raising sessions on child labour for farmers and local communities;
- Designing and implementing remediation activities; and
- Collecting KPIs for the purpose of reporting on the overall performance of the system.

The FLA plays a different role, ensuring that Nestlé as a company becomes progressively compliant with its own Code of Conduct. The FLA's role is based on auditing rather than implementation. Each year, the FLA organises its own external audits, selecting co-operatives at random and sending auditors to them to ensure that we meet the FLA Code of Conduct, as well as the Nestlé action plan. Following each assessment, the FLA publishes the results along with our response to each finding and any corrective actions taken.

In 2015, the FLA conducted five such audits at six co-operatives in Côte d'Ivoire that supply us with cocoa via the Nestlé Cocoa Plan.

# Child Labour Monitoring and Remediation System

The system is built into our supply chain and works from the ground up

The International Cocoa Initiative is our main partner in the system, helping to implement it at every level...



## Farmers

Trained to improve their productivity and income and to avoid child labour

Sell the cocoa they produce to a farming co-operative (co-op)

In Côte d'Ivoire we buy cocoa from about 79 co-ops and farmer groups



## Community Liaison People

Gather data about whether the children of farmers are working and, if so, if it is child labour, or non-hazardous work that doesn't interfere with schooling

Chosen by their local community

Responsible for educating communities about the dangers children face on farms. These sessions are open to everyone, not only farmers supplying Nestlé

## Co-op Child Labour Agents

Help to devise and organise the specific intervention efforts needed to help each child

Coordinate the Community Liaison People in their co-op



## Suppliers

Help to recruit child labour agents

Support data gathering process

## Nestlé

Ensures data is collected and intervention efforts are taking place

Funds the system through direct payments and by paying farmers a premium for good quality cocoa

Helps farmers improve their productivity to increase their income by providing higher-yielding plantlets, and by training them in good agricultural practices

## Remediation activities

Through the CLMRS, we have identified 5135 children (around 19% of the children surveyed) who were involved in hazardous tasks classified as child labour.

To date, we have ensured a systematic follow-up with 3591 children, of whom 2196 have already benefited from remediation work. This includes providing school kits (containing books, pencils, etc), securing birth certificates, and developing income-generating activities for 1167 families of identified children. The remaining cases are currently being investigated further.

For any remediation activity to be successful, it must be adapted to the specific circumstances of each situation and each individual. However, many of the communities in which the CLMRS is being implemented suffer from severe local impediments. The most serious of these occur in the field of education, through a lack of schools, and the personal difficulties faced by families in sending children to school, such as insufficient income or lack of birth certificates. Of the 26679 children of farmers who are members of the 40 co-operatives, only 17836 (67%) attend school.

To date, Nestlé has built and refurbished 42 schools in communities most at need. However, to be successful, dedicated efforts are required from all relevant stakeholders, including the government, NGOs, international organisations, suppliers and the farmer communities themselves.

## CocoaAction

CocoaAction, a strategy launched under the guidance of the [World Cocoa Foundation](#), brings together the world's leading cocoa and chocolate companies to accelerate sustainability and improve the livelihoods of cocoa farmers in Côte d'Ivoire and Ghana.

As part of its community development pillar, CocoaAction emphasises the importance of a proper supply chain monitoring and remediation system to tackle the issue of child labour. The strategy will help expand and replicate the CLMRS far beyond Nestlé's supply chain, potentially bringing about a real change in this area.

We will not be able to address all the root causes of child labour alone but, through the CLMRS, we are able to better understand the extent of the problem and are better positioned to work with the government, local stakeholders and other businesses to address it.

## Action plan for hazelnuts

The main source of supply for hazelnuts is Turkey, which accounts for approximately 75% to 80% of the total global production. The majority of the hazelnuts we purchase as a raw material are sourced from the Black Sea region, which supplied 4000 of the 7000 metric tonnes we procured globally in 2015.

Hazelnut harvests are seasonal, requiring large groups of migrant workers and their families to move to the areas in which hazelnut gardens are located for the relatively brief harvest period. Younger members of these families can sometimes become involved in work related to the harvest. Remediation in this context consists of ensuring that children

## Empowering women to combat child labour

Women have a crucial role in the fight to combat child labour, as they are often responsible for taking care of the household. Our vision is to empower women to improve their livelihoods and eliminate child labour by updating the three priorities of the [Nestlé Action Plan on Women in the Cocoa Supply Chain](#): promoting equal opportunities, giving women a voice and helping increase their income. In 2015, we continued to deliver gender awareness training in Côte d'Ivoire to open up more opportunities for women, and to address social and cultural barriers. This training will be extended to all co-operatives by 2017. In collaboration with the FLA, we are working with women's associations to widen their participation and increase their influence in the sector. As one of the key causes of child labour is a lack of income, we are also helping women to grow additional food crops to sell.



are not exploited during their harvest work, and to assist the provision of education for young workers.

We have been working with the [FLA](#) in Turkey to improve supply chain transparency and implement a monitoring and remediation system for tackling labour and human rights issues. Our action plan focuses on the integration of FLA recommendations and sound labour practices into our sourcing strategy.

As part of our action plan, we committed to:

- Strengthening child labour monitoring and remediation;
- Continuing to work with local authorities and the ILO to raise awareness through campaigns, training and an illustrated supplier code in Turkish;
- Establishing a toll-free phone number for non-compliance reporting; and
- Introducing a self-assessment tool for hazelnut growers to verify their performance with respect to child labour criteria.

We have driven multi-stakeholder dialogue, together with our two key suppliers [Olam-Progida](#) and [BALSU](#), a public-private partnership with the [ILO](#) and trade association [CAOBISCO](#), and a working group with the Turkish Ministry of Labour. A key aspect of the partnership activities has been training and awareness-raising sessions, in which personal protective equipment, drinking water, adequate sanitation and hand-washing facilities and medical kits have been provided.

In 2015, USD 20 507 (CHF 20 714) was invested in remediation equipment and activities during the harvest period. Around 3000 hats and 3000 pairs of gloves were provided to those picking hazelnuts, as well as 600 first aid kits; and a toll-free number was promoted, through which complaints could be made. Furthermore, 10 summer schools and camps for younger children were organised; these were attended by 1808 children.

 **Read more** about hazelnuts in the [Rural development](#) chapter.

## Action plan for vanilla

Madagascar is one of the world's leading producers of vanilla, and its importance to the Malagasy economy is clear; the national agricultural industry employs 80% of the population. However, a shortage of bees means that vanilla, an orchid, has to be pollinated by hand. Combined with harvest and then curing, this makes vanilla a labour-intensive crop and, therefore, more suited to small-scale farmers. There are about 80 000 farmers cultivating vanilla, living on an average of USD 2 (CHF 1.98) per day, and most rely almost exclusively on vanilla for their income. With such low levels of income, smallholder farmers struggle to meet their basic needs and often rely on child labour.

As vanilla is a crop that requires delicate handling, children normally start unpaid work on the less delicate tasks around the age of 13, with only older children help their parents during the labour-intensive pollination phase. The work that children are involved with is considered training, to prepare them for when they are older and take on the responsibility themselves.

Nestlé's priority in this context is to work with partners to find solutions tailored to helping farmers diversify their crops, reduce vanilla dependence and tackle the issue of child labour. In 2013, Nestlé began a partnership with local supplier Givaudan to develop responsible sourcing, including combating child labour through sturdier educational infrastructures.

Since 2010, [Givaudan](#) and its supplier [Henri Fraise Fils](#) (HFF) have worked with the Development Advice Group, focusing on village development, which led to the creation of the *Association Développement Equitable à Madagascar* (Association for the Fair Development of Madagascar) in June 2014. The association manages the organic vanilla farmers' rural development programme in the Sambava district, which is financed by HFF, Givaudan and Nestlé. The programme aims to provide selected villages with better access to education by building, extending or repairing schools, and providing equipment. To date, four schools have been built.

Improved educational facilities mean that children of vanilla farmers have the opportunity to seek other employment outside of vanilla cultivation. To date, 3316 schoolchildren and 2200 Malagasy families have benefited from the programme.

Through the Responsible Sourcing activities and fund allocation in 2015, we were able to sponsor the building of two schools close to our sourcing locations.

While the many challenges facing the vanilla industry still include security of supply, price stability and better quality beans, the focus has increasingly switched to the social responsibility of the industry, the organisation of farmers and communities, and tackling child labour. Although there is much to be done, these efforts show that we and our partners are committed to real change.

 **Read more** about vanilla in the [Rural development](#) chapter.

# Compliance

The [Nestlé Corporate Business Principles](#) reflect our commitment to a strong compliance culture as a non-negotiable foundation of how we do business. Our principles are actionable and we are prepared to do what is necessary to ensure that our company is managed in line with them through both internal reporting and external audits. To help us improve our performance and business practices, we encourage employees, suppliers and stakeholders to report practices or actions at Nestlé that are believed to be inappropriate or illegal. We properly investigate all complaints with impartiality and we prohibit retaliation for reports made. When a breach is uncovered, we act decisively to put an immediate end to it and take appropriate response measures.

## Reporting of compliance violations

### Our commitment



**Ensure that all employees and stakeholders can easily report possible compliance violations**

We aim to enable all our employees to report any incidents of non-compliance and breaches of the *Nestlé Corporate Business Principles*, or other Nestlé internal standards.

Alongside the roll-out of the Nestlé Integrity Reporting System, information on its use has been made available to all employees. This has included translated versions in local markets.

It is stipulated in the Reporting of non-Compliance Best Practices document, in the Confidentiality chapter, that non-compliance reports will be dealt with confidentially. Only the fact that a report has been filed, the particulars of the report and the identity of the incriminated employee will be shared with those who need to know for the purposes of handling the complaint and, if applicable, the investigation. In case the complainant uses the Integrity Reporting System and chooses to remain anonymous, Nestlé will be unable to learn of their identity. If the complainant makes their report anonymously but through a different reporting channel, Nestlé will fully honour their decision to remain anonymous and will not try to find out their identity.

As one of the monitoring channels, the CARE audit programme's business integrity section includes the question 'Does the site investigate every non-compliance report and protect the rights of both parties (reporting and incriminated)?'

Encouraging our external stakeholders to actively respect our standards and codes is an important facet of Nestlé's business ethics, too. All external stakeholders can report concerns in their own language through our [Tell us](#) reporting system via a web form or by phone.

To enhance the communication, our strategy is to gradually reinforce the system, initially as a pilot in countries identified as potential high-risk areas, before extending it to all countries where Nestlé operates (and where local data protection law allows). Our challenge is to help people understand our different reporting channels and give them the confidence to use them.

## The Nestlé Integrity Reporting System (internal)

### Our objectives

- **By 2015** – The Nestlé Integrity Reporting System (Internal Grievance Mechanism) or equivalent will be operational in 100% of Nestlé markets and information made available to employees outlining the steps taken by the company to manage concerns and complaints.
- **By 2016** – Reinforce awareness of the existence of confidential reporting lines is enforced across the organisation.

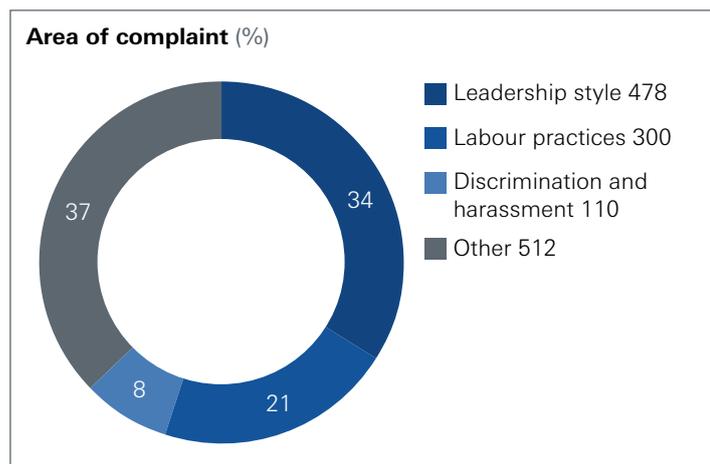
Our people should be vigilant for any illegal or non-compliant activity in their place of work, and are required by our [Code of Business Conduct](#) to report such incidents should they occur. Incidents related to allegations of corruption, bribery, fraud or any serious incident that may adversely affect the reputation or public image of Nestlé are promptly reported directly to higher levels, including to the Group General Counsel and Chief Compliance Officer.

The Nestlé Integrity Reporting System enables our employees to report anonymously, via phone or web form, any illegal or non-compliant behaviour they observe, as well as to seek advice or information on our practices. Nestlé's Reporting of non-Compliance Best Practices document provides a general investigation protocol and guidance to promote a fair and impartial process.

We continued to roll out the system across the business in 2015, and by the end of the year, 100% of markets had introduced it, up from 98% in 2014 (this includes markets that have other systems already in place that fulfil the requirements of the Integrity Reporting System). Information about the system is made available to employees outlining the steps taken by the company to manage concerns and complaints. The system has been well received by our employees and, importantly, there is little indication that it is being abused by complaints made in bad faith.

Guidance, including the implementation of a visible link to the Integrity Reporting System on local intranets together with an explanatory note, has been provided across the countries to fulfil our objective.

In 2015, we received 1400 messages through the Nestlé Integrity Reporting System, covering issues such as leadership style, labour practices, discrimination and harassment (see table below). Of all the substantiated and unsubstantiated cases presented through this system, 1137 (81%) were closed, of which more than 26% were substantiated, resulting in 35 employees leaving the company, and 70 written warnings and other measures being issued, including internal process improvement and reinforcement and the establishment of performance improvement plans.



We have developed and provided training material on the investigation of non-compliance reports to market compliance officers across different countries. Using this communication as a springboard, we have deployed several direct countermeasures, including enhancing awareness of the Integrated Reporting System, investigation guidance, monitoring how complaints are managed and remediation measures.

#### Our objectives

- **By 2015** – Scale up our communication about the external grievance system ‘Tell us’ to 5000 suppliers and to 1000 downstream business partners (i.e. distributors) of Nestlé Nutrition products, as well as in first phase countries identified by the company.
- **By 2016** – Continue to scale up the communication about ‘Tell us’ to suppliers and downstream business partners as well as to second phase countries (additional 20 countries).

#### Tell us – our external compliance reporting system

In 2015, we further developed our Tell us communication channel. This is specifically designed to give all external stakeholders the opportunity to report any possible non-compliance incidents against the Nestlé *Corporate Business Principles* or laws, both internal and external. Although Tell us is run by Nestlé, it is controlled externally and allows stakeholders to report non-compliances confidentially or to seek advice on our practices.

Following its launch in 2014, we continued to roll out the system throughout the year. Its availability has now been communicated to 5000 suppliers, to more than 1000 of our

downstream business partners, such as distributors, and through Nestlé Nutrition, thus meeting our objective.

The system has been given good feedback by external stakeholders. We have applied the experience gained from the first year of the system’s operation to continue to refine the processes and platform, and to build on our expertise in managing it. We have scaled up our communication about Tell us to further promote reporting of potential non-compliance incidents by external stakeholders in the 12 phase one countries: China, Colombia, Egypt, Indonesia, Mexico, Nigeria, Pakistan, the Philippines, Russia, Saudi Arabia, Sri Lanka and Vietnam. Communications about Tell us have been deployed on those local Nestlé websites.

By the end of 2015, over 5000 Nestlé suppliers had been appraised and informed about Tell us through the implementation of the revised Supplier Code, and the information is also available on our [website](#).

External stakeholders are able to use Tell us through an online form or by calling a toll-free phone number. By the end of 2015, we had received 372 messages. All comments received have been, or are being, addressed. There was one unsubstantiated claim of private-to-private bribery (that is, where some form of personal advantage has been requested or offered between an employee and a supplier or customer with a view to gaining or maintaining business). We also found that a number of messengers used the system to seek advice on topics of commitment to society.

Of the supplier concerns, subsequent investigations resulted in one employee leaving the company, one written warning being issued and other measures being taken, including internal process improvements and a reinforcement communication to suppliers.

#### ‘Tell us’ complaints received in 2015

Subjects of messages received	Number of messages received
Private-to-private bribery	1
Conflict of interest (grouped with fraud)	18
Environmental suggestions	3
Seeking advice	7
Breast-milk marketing concerns	10
Supplier concerns	9
Labour practices and leadership style	37
General enquiries (including consumer complaints, customer concerns, safety, quality, etc.)	287
<b>Total</b>	<b>372</b>

Tell us by region	Quantity
EMENA	36
AMS	156
AOA	126
Undisclosed	54
<b>Total</b>	<b>372</b>

## The CARE audit programme

Compliance regarding human rights and labour practices, business integrity, safety and health, environmental sustainability and security is assessed through the CARE programme, which relies on an independent external audit network.

- All sites owned or operated by Nestlé are audited on a three-year auditing cycle following the annual action plan discussed and approved by the Group Compliance Committee (US CARE programme is carried out every five years);
- Any gaps are addressed through detailed action plans and implementation is monitored closely; and
- The programme is led by a Market CARE Coordinator who is responsible for ensuring that audits are performed in a timely fashion, action plans are implemented and all information is uploaded in SAP.

In 2015, we carried out 250 CARE audits across Nestlé, taking our cumulative total to 2207 audits since 2005.

The audits, which take place every three years (every five years for the CARE program in the United States), are performed by three leading independent audit companies: [SGS](#), [Bureau Veritas](#) and [Intertek](#). Where necessary, we introduce detailed action plans that are thoroughly and systematically monitored.

The findings are classified in three categories:

- **Minor** – an isolated and non-repetitive finding or minor issue;
- **Major** – a systematic finding or major issue or infringement against local legislation; and
- **Critical** – an exceptional issue, which requires immediate notification to the Nestlé Group Compliance Committee.

### CARE gaps identified 2015

	Human rights and labour practices	Safety and health	Environmental sustainability	Business integrity	Security
Minor	64	40	39	12	21
Major	5	2	0	0	1
Critical	0	0	0	0	0

By the end of 2015, we had identified 184 CARE gaps. We have introduced corrective action plans to cover these gaps, 36 of which are now closed. The remaining corrective action plans are in the process of being implemented.

# Anti-corruption and privacy

Nestlé strives to combat bribery and corruption wherever these practices arise. They can have a negative impact on our performance and operations, and on stakeholders' perception of Nestlé as a company. However, we recognise that these activities can and do occur in some of the countries in which we operate. We, therefore, aim to ensure that our commitments, policies and standards for combating bribery and corruption are clear and applicable for all our people and our suppliers.

Communicating transparently about data privacy to our consumers and protecting personal data against cybercrime are also of paramount importance for Nestlé. We actively adopt initiatives or develop internal tools to ensure proactive disclosure of how personal data is used, often going beyond what is legally required.

## Anti-corruption

Nestlé is firmly opposed to bribery and corruption and we will not tolerate these practices in our operations. Our Code of Business Conduct sets out clearly our stance on these issues. Our Anti-Corruption Programme is being rolled out to all markets and businesses, and a compliance e-learning course ensures employees understand what is expected of them.

### Our commitment



#### Work against corruption and bribery

Shaped by our Code of Business Conduct and the [UNGC](#), we have pledged our commitment to maintaining a strong culture in four areas:

- **We will not use bribes:** our Code of Business Conduct states that employees must never, directly or through intermediaries, offer or promise any personal or improper financial or other advantage in order to obtain or retain a business or other advantage from a third party, whether public or private.
- **We will not accept bribes:** Nestlé prohibits its employees from accepting any improper financial or other advantage in return for any preferential treatment of a third party. We will not allow employees or other representatives to base commercial decisions on anything but rational, objective and transparent criteria.
- **We are against facilitation payments:** we have a zero-tolerance policy on facilitation payments (payments made to a public or government official that act as an incentive for the official to complete some action or process expeditiously to the benefit of the person making the payment) which prohibits our employees from making any such payments, regardless of whether they are permitted under local laws.
- **We will not use others to do what we consider wrong:** anyone working on Nestlé's behalf must not break any of our commitments and shall not take any actions to violate, or cause its business partners to violate any applicable anti-bribery laws and regulations, including the US Foreign Corrupt Practices and the UK Bribery Acts. If these rules are broken, we will end the relationship immediately.

### Our objectives

- **By 2015** – Reinforce the Anti-Corruption Programme and communicate it to all markets and businesses. Roll out a new compliance e-learning to ensure employees understand what is expected of them.
- **By 2016** – Adoption of local Anti-Corruption Policy implementation procedures in those markets and businesses where there is a need for further reinforcement.
- **By 2017** – All employees with computers to complete the compliance e-learning.

### Anti-corruption training for our employees

Nestlé is mindful of the many issues involved in anti-corruption activities and in ensuring that our business principles are reinforced in everything we do. This is why we place great emphasis on appropriate training and awareness raising, enabling the company to identify, monitor and address issues whenever they arise.

Based on our standards as to who must be trained on anti-corruption and compliance, and how often depending on seniority and length of service, we continued the deployment of many online courses in 2015. These included translated versions for local markets and reached 22 729 employees, of whom 6568 (29%) occupy management positions. This training will continue to be deployed locally throughout 2016, and be defined by markets according to local conditions.

### Monitoring anti-corruption

Our CARE audit programme enables us to monitor anti-corruption processes, allowing for the identification of improvement areas or opportunities for additional training. Employees are encouraged to report misconduct through our [Integrity Reporting System](#). New employees are also required to declare any conflicts of interest on joining, and some markets regularly question employees on potential conflicts.

We take all allegations of bribery and corruption seriously. We thoroughly investigate each incident before deciding if there should be any disciplinary action. No public allegations of corruption were made against Nestlé in 2015 and 10 internal private bribery complaints were confirmed.

In 2015, we continued to work on the mitigation of the risks identified in an assessment completed in 2014, in which the following risks of corruption were identified:

- Facilitation payments;
- Gifts to government officials and third parties (purpose and value); and
- Charitable contributions and non-commercial sponsorships (due diligence, records and documentation).

To help mitigate these risks we:

- Deployed the [Guidance on Nestlé's Commitment against Bribery and Corruption](#) as an attachment to the Nestlé Code of Business Conduct, providing additional and complementary guidance on this topic;
- Deployed a new e-learning tool designed to raise awareness and promote discussion; and
- Made progress towards our commitment to train all office-based employees (by 2017) and to adopt local anti-corruption procedures in those markets and businesses where there is a need for further reinforcement.

## Security

All security personnel working on Nestlé's behalf are expected to respect human rights, act within the law and comply with the company's rules, as outlined by our Nestlé Group Security Policy and *Corporate Business Principles*.

Two webinars for regional security managers, covering key human rights concepts and generating discussion on concrete examples (such as due diligence for security companies, and CCTV cameras and privacy), were attended by 80 employees in 2015. Two new mandatory online training modules for site security representatives, both including specific points on human rights, were developed and rolled out. The first module covers the principles and security governance; the second is more technical, but included guidance on where to install surveillance cameras so as to respect privacy. In total, 579 site security representatives attended one or both modules.

We also incorporated an audit component for security within the CARE programme, which revealed 21 minor gaps and one major gap in 2015.

Furthermore, in 2015, we continued with the active application of our Responsible Sourcing Audit Programme for security providers. This audit, guided by ethical principles, is applied to our Tier 1 suppliers who have a direct commercial relationship with Nestlé. The audit process promotes continuous improvement in line with the standards established in the Nestlé Supplier Code.

## Data privacy

Protecting the personal data of our consumers, employees and other stakeholders is of paramount [importance to Nestlé](#). The digital landscape is constantly and rapidly changing, with new challenges arising continually. In this environment, Nestlé seeks to anticipate and respond to consumer expectations, data security threats, and regulation regarding data privacy.

Our approach is founded on an evolving internal data privacy governance framework of clear, robust internal standards and an organisational structure empowered to enforce it.

### Our Privacy Policy

Nestlé's Privacy Policy lies at the heart of our consumer privacy framework. It features six key principles that all employees and contractors of Nestlé companies must comply with when processing personal data. Such data must:

- Only be processed for specific and legitimate business purposes;
- Be processed fairly and lawfully;
- Be properly managed;
- Be protected against unauthorised processing and damage;
- Be accessible when in the form of data collections; and
- Not be transferred to third parties or other countries without adequate safeguards.

Additional restrictions apply to processing sensitive personal data. We are strengthening this further through the development of a new Data Processing Standard, covering the processing of all personal data from collection through to deletion.

To the best of our knowledge, we had no substantiated data breach complaints to report for 2015.

### Our Data Privacy Organisation

Nestlé's Group Data Privacy Organisation is tasked with seeking to reinforce capabilities and controls across the Group. It manages the Nestlé Data Privacy Framework and provides advice, support and guidance on its implementation. It is increasingly supported by data privacy officers and champions, who are being progressively appointed in our businesses and markets, creating a broad Nestlé Data Privacy Organisation.

The Data Privacy Organisation works closely with our internal IS/IT Security, Marketing and HR functions in executing the Nestlé Data Privacy Framework.

Additionally, a number of individuals of our Data Privacy Organisation are members of professional bodies and actively contribute to the wider data privacy debate through international conferences and other forums. We also engage with national and regional data privacy regulators, either directly or through representatives.

### Key data privacy initiatives in 2015

Our data protection work was further strengthened during 2015, when we carried out the following actions:

- Implemented a standard on privacy in digital marketing;
- Worked with the CGF to adopt Consumer Engagement Principles (CEPs). The CEPs are intended to act as a framework for how companies engage with their consumers to promote an environment of trust, particularly in relation to personal data;
- Adding to the network of data privacy specialists by appointing several new data privacy officers and champions in Switzerland in 2015, with further appointments to be made globally next year;
- Rolled out e-learning across the company; and
- Launched new, more transparent and clear communications about privacy for Nestlé websites.

# Taxation

Taxation has been identified by our stakeholders as a material issue for Nestlé. We view the tax we pay as part of both compliance (business ethics) and Creating Shared Value in the countries where we operate. We believe it is good practice to disclose information about our tax management principles and key tax indicators and contributions.

## Nestlé Group Tax Management Principles and Foundations of Group Tax Strategy

Over the last years, we have developed 10 Principles of Tax Management and five Foundations of our long-term Group Tax Strategy. They are based on the recognition that Tax is an integral element of our overall corporate social responsibility, as well as on the fundamental objective of tax compliance and of legitimate and responsible planning. Those [Principles](#) and [Foundations](#) are in line with the [Nestlé Corporate Business Principles](#) and are cascaded down to, and monitored across, our Tax Organization, both at Group and Market levels.

## Nestlé effective tax rate and tax payments

In 2015, the Nestlé Group incurred CHF 3.305 billion in corporate taxes worldwide on our Group consolidated profit. This corresponds to a 28% effective tax rate on our worldwide profits. By comparison in 2014, Nestlé had a 32.8% effective tax rate worldwide, while incurring a similar amount of CHF 3.367 billion in corporate taxes. The decrease in effective tax rate is due mainly to exceptional accounting expenses (goodwill impairment, monetary adjustment) that reduced our net profit in 2014, but which were not tax deductible. Excluding those exceptional items, the underlying tax rate in 2014 is in line with our tax rate in 2015.

Nestlé also pays and collects for governments various taxes through its transactions with suppliers and customers, as well as through our own operations across 197 countries.

After the closing of the financial year, we run a Group Tax Report on the total taxes that we bear and/or collect for governments in the main countries where we operate. This report covers all direct and indirect taxes on profit (corporate income tax, withholding taxes, etc.), properties (real estate taxes, stamp taxes), employment (social security charges, employee salary taxes), transactions (customs, VAT, goods and services taxes, consumption taxes, excise taxes) and environment (energy taxes, food taxes, green taxes).

Therefore, we don't yet have the data for 2015 concerning all indirect taxes. This report and those amounts are non-audited and, therefore, are to be taken as best estimates.

In 2014, Nestlé collected and paid CHF 14.7 billion of taxes to the governments in its largest 53 markets, including CHF 6.7 billion that were incurred and borne as costs by Nestlé. Those markets represent nearly the totality of the Group net sales.

Of the CHF 6.7 billion taxes borne by Nestlé in 2014 46% were taxes on profit:

- With 43% of that amount incurred in our EMENA Zone, 36% in our AMS Zone, and 21% in our AOA Zone; and
- With 58% of that amount paid to developed countries and 42% to developing countries.

Of the CHF 6.7 billion taxes borne by Nestlé in 2014 54% were taxes on employment (31%), transactions (18%), properties (3%) and environment (2%).

The remaining CHF 8 billion were collected and paid to governments: with 50% of that amount incurred in our EMENA Zone, 31% in our AMS Zone and 18% in our AOA Zone; and with 64% of that amount paid to developed countries and 36% to developing countries.

Finally, we had a Group VAT throughput amount of CHF 20300 billion, i.e. for the total of all VAT receivable (on customers) and VAT payable (to suppliers), as an indicator of the volume of VAT (and similar indirect consumption-based taxes) generated and managed by Nestlé worldwide.

The 2015 amounts will be disclosed in our 2016 Annual Report package.

## Tax audits and contingencies

Given our large operations in most countries, we are subject to regular audits by tax authorities and we actively and openly cooperate in those audits. We are exposed to uncertainties about tax treatments and claims by tax authorities for various activities, on both direct and indirect taxes, including:

- Acceptability of (and compliance with) Group transfer pricing guidelines;
- Deductibility of expenses (particularly related to intra-Group transactions) under local tax laws;
- Access to incentives and accelerated deductions granted under tax laws; and
- Lack of clarity or differences of interpretation of the same tax laws (by the Group and the tax authority or between different departments within the tax authorities).

We have established a strong Group tax risk report process to identify and assess all direct and indirect tax risks and to validate the adequateness of tax contingencies and provisions, together with our Statutory Auditor.

At the end of 2015, the average period that corporate tax filings remained open in Nestlé's main markets was 4.5 years (excluding any additional period legally opened in case of tax fraud).

The major audits undertaken by tax authorities in 2015 have been in Mexico, Italy, Morocco, USA, Germany, France and Brazil.

# Product safety and quality

Food safety is a material issue for Nestlé. Our priority at all stages is the consumer, as represented by the high standards for safety and quality we set for ourselves. This enables us to build trust, which in turn becomes the foundation for firm, long-lasting relationships. This trust is a key facet of our business strategy, so we never compromise on product safety.

## Governance and oversight

Each of our markets and globally managed businesses (GMBs) has its own Quality Team. The team reports directly to the relevant technical or operations manager, who in turn reports to the market head or Chief Executive. Our global Quality department reports to Nestlé's Head of Quality Management, who reports to the Chief Operations Officer.

### Revising the Nestlé Quality Policy

Our work to ensure food safety, compliance and quality is guided by the company's Quality Policy, which seeks to further enhance consumer trust and satisfaction with all our brands, products and services. This trust is built through:

- Guaranteeing food safety and full compliance by respecting our policies, principles and standards;
- Ensuring preference and consistency to value what they value and offering products, systems and services that always meet or exceed their expectations;
- Striving for zero defects and no waste by constantly looking for opportunities to apply our continuous improvement approach to deliver competitive advantage; and
- Engaging everybody's commitment across our complete value chain and at all levels of our organisation.

Released in 2014, our revised [Quality Policy](#) has been fully deployed and embedded in our ways to work.



### Culture of Quality Survey

As the quality of Nestlé products and services depends on everybody's commitment, a Culture of Quality Survey was organised with the CEB Quality Leadership Council in May 2015. Even though participation was voluntary, we gained insights from more than 30 Nestlé markets and businesses with responses from 62 226 employees across all functions, hierarchical levels and years of service. Although the aggregated results show Nestlé's Culture of Quality to be in the top 20% of companies using the CEB external benchmark, opportunities are being identified for further improvements.

## Monitoring and compliance

### Nestlé Quality Management System

Our Quality Policy is implemented through our Nestlé Quality Management System (NQMS), which covers all Nestlé products. The NQMS encompasses essential elements, such as good manufacturing practices, hazard analysis and critical control points (HACCP), and traceability, together with new requirements and initiatives across the whole value chain. It lays out the basic principles for the management of quality through allocating clear responsibilities to process owners of the value chain, aligning the Food Safety Management System with FSSC 22000/ISO 22000, and driving continuous improvement through the elimination of defects and waste.

The implementation of NQMS is formally certified by independent third-party certification bodies. To date, of the 702 Nestlé units (unit = factory, R&D, head office and Nestlé Quality Assurance Centre (NQAC) labs) 91% have received NQMS certification. In 2015, we trained 500 leaders on their responsibilities for quality, across all operations and R&D functions.

In addition, our Food Safety Management System is certified against the [FSSC 22000/ISO 22000](#) food safety certification standards. In 2015, 92% of our manufacturing and R&D sites were certified by ISO/FSSC 22000.

## GLOBE Quality Monitoring Scheme (QMS)

The GLOBE QMS programme ensures that manufactured products meet consumer requirements by embedding quality-related control points directly into GLOBE inspection plans. The concept is based on identifying and controlling those process steps that significantly impact consumer, food safety and regulatory requirements, as well as compliance with internal requirements for the finished products up to the end of the manufacturing process. This programme also drives stronger alignment of HACCP and GLOBE inspection plans and supports the manufacturing excellence strategy of zero waste by aiming for 'right first time' at each inspection point.

An ambitious plan is in place to implement GLOBE QMS for more than 1062 product category and manufacturing line combinations – more than 90% of Nestlé's portfolio – by the end of 2016. The programme is on track, with 1062 GLOBE QMS implementations completed midway through 2015.

## Quality compliance

Alongside food safety and quality, quality compliance is one of the three pillars of quality management and has triggered different initiatives. To facilitate the management of Nestlé standards, two key initiatives delivered significant results in 2015:

- The Compliance Tracking Tool is now widely used across our organisation to ensure implementation of our standards, with an implementation index of 97% at the end of 2015; and
- We implemented new practices for management of Nestlé standards, focusing on what needs to be achieved.

Each factory has an annual quality compliance assessment, using criteria based on the most important vulnerabilities identified from incidents and internal audits. By the end of 2015, we achieved the base level for quality compliance in more than 95% of our sites.

## Nestlé Quality Assurance Centres (NQACs)

The NQAC organisation provides state-of-the-art quality support and laboratory services to markets and GMBs to comply with Nestlé's Quality Policy and food safety objectives. Complementing factory laboratories, the NQAC provides specific types of services, including food safety and quality experts, verification and audit, and analytical services. These deliver the necessary expertise and support to markets and GMBs in their endeavour to manage quality and food safety, as well as in their journey to delight customers.

The support and technical assistance provided by NQAC experts encompasses the diagnosis and resolution of quality gaps; competence building in food safety and compliance at all levels within the markets, including on the shop floor; guidance for implementing the quality and food standards; and the technical know-how for capacity-building relationships with external stakeholders.

The creation of the NQACs has enabled the building of expert networks within operations as a platform for spreading expertise to markets. We now have 27 NQAC experts globally to build, share and provide support for microbiology, food safety, HACCP, thermal processing, hygiene, chemical contaminants, sensory, packaging, allergens, integrated pest management, foreign bodies and promotional items.

Similarly, the NQAC Verification and Audit Managers provide training and support on NQMS and are engaged in driving the calibration of Quality Compliance (Q-Compliance) ratings and coordination of expert ad hoc audits at selected sites. They also support sites and certification bodies for FSSC 22000/ISO 22000 certifications.

Our laboratories support the markets by providing state-of-the-art analytical methods for performing the necessary quality control checks on raw materials, packaging, finished products and environmental samples. All our laboratories are ISO 17025 accredited and everybody is committed to delivering reliable results to take the right operational decisions. In addition to analysis, our services support the market by helping factory laboratories on good laboratory practices and safety, health and environment aspects, by approving external laboratories and by doing capacity building with laboratories used by authorities.

In collaboration with the Nestlé Research Center, NQAC laboratories are accelerating the introduction of advanced technologies that will enable us to effectively and rapidly screen our raw food materials for chemical contaminants using a targeted multi-screening approach. The 3S for Laboratories programme is conducted in the spirit of standardising, simplifying and sharing our laboratory practices, methods and equipment to improve our efficiency within both our NQAC and our factory laboratories. Global indicators to measure the performance in the laboratories, taking into account quality, safety, delivery, cost and the environment, are being developed. The project will deliver a common performance framework for NQACs and factory laboratories that will be rolled out during 2016.

## Product recalls and foreign bodies elimination

The safety, health and wellbeing of our consumers is our top priority, and our quality assurance and product safety systems continue to address the reasons for any product recalls. In 2015, we recalled six products to prevent quality or safety concerns for our consumers.

The eradication of foreign bodies remains a key quality priority for Nestlé, as any foreign body complaint has a high likelihood of becoming a major incident, and could potentially lead to a public recall. As a consequence, our consumer feedback tool (PULSE) monitors all foreign body consumer complaints. Data from PULSE shows a continuing downward trend in foreign body complaints. At the end of 2015, the data showed a 4.6% decrease in such complaints from consumers compared to 2014.

In 2015, we focused on increasing awareness and preventive measures in our facilities and upstream supply chain, as well as technology-related improvements utilising state-of-the-art detection systems. As part of our drive to improve foreign body elimination, the main Standard for Foreign Body Management that applies globally within Nestlé was revised and issued in September 2014, and the accompanying guideline was issued in March 2015.

### Maggi noodles in India

In March 2014, the food regulatory authority in the Indian State of Uttar Pradesh informed Nestlé India that it had found monosodium glutamate (MSG) in samples of Maggi noodles, which had a 'No Added MSG' declaration on the label. In India, there are no restrictions on the use of MSG in food, but food manufacturers that add MSG to their products must declare this information on the product packaging. Nestlé India appealed against the findings of this analysis and the authorities ordered further tests by a Government-accredited laboratory in Kolkata.

In April 2015, the laboratory reported that it had also detected MSG in the samples it tested. In addition, it found that lead<sup>1</sup> levels in the test samples exceeded the permissible limit. In June, Nestlé India decided to take the product off the shelves nation-wide in view of the developments on this issue and concerns around the product, which had led to an environment of confusion for the consumer.

In August, the Bombay High Court ordered that the Maggi noodles be retested in three different independent laboratories in India. Test results received from all three laboratories in October showed that all of the 90 samples, covering six variants, were clear, with lead much below the permissible limits.

We have always maintained that Maggi noodles are safe. Nestlé India conducted more than 3500 tests, representing in excess of 200 million packs in both nationally and internationally accredited laboratories, and all reports confirmed that lead results were well below the permissible limits.

In early November, test results of newly manufactured Maggi noodle samples were received from the three laboratories, again with lead results well below permissible limits. Soon afterwards, Maggi noodles were reintroduced to market for sales to recommence.

Food safety and quality is Nestlé's top priority and consumer trust is of paramount importance to us. The India Maggi noodle case is a good learning opportunity. We will further improve our communication and proactive collaboration with all stakeholders, including the regulatory bodies, to deliver the best nutrition, quality and trusted products to our consumers.

## Vendor management and upstream supply chain quality

Our Vendor Audit Management (VAM) system covers the process from audit planning through to audit completion, with key features including automatic audit requests, visibility of past audits and follow-up of corrective actions. A new process has been established in close collaboration with our Procurement and Supply Chain team (Vendor Site Validation process). The deployment of this new verification step guarantees the purchase and delivery of materials to our factories from approved vendor sites only. This allows us to integrate our processes from vendor audit to material delivery at the factory gate, emphasising once more that quality builds across the value chain. In 2015, the new Vendor Site Validation Process was implemented in 100% of our factories on [GLOBE](#)<sup>2</sup>.

Looking ahead, we will be facing increasing challenges in our supply chains, including raising consumer expectations, and tighter regulations, and ethical and environmental sustainability requirements, as well as the risk of food fraud. To build preparedness for these new challenges, our long-term initiatives in 2015 have included collaborating with the SSAFE initiative and United States Pharmacopeial Convention to improve the assessment and management process of food fraud; establishing the Nestlé Adulteration Prevention process; and leading the creation of the Consumer Goods Forum–Global Food Safety Initiative Task Force on End-to-End Value Chain Traceability. Altogether, these initiatives aim to protect the trust that consumers place in our products and brands, and further heighten this trust by developing our capacity to offer consumers the credible and accurate product information that they demand.

## Quality in distribution and retail

To help reduce inventory in the supply chain, we have introduced new metrics to track our efficiency in the release decision process. Our On-Time Usage Decision (OTUD) system measures the ability to respect planning and includes a complementary indicator to assess if the correct targets had been established. At the end of 2015, the OTUD score was 91%, slightly higher than in 2014. However, the key performance indicator for correct target setting was 82%, a significant increase from its introduction in 2013.

In March 2015, we introduced a standard on Product Quality on Retail Shelf to ensure that the desired and preferred quality is achieved at the point when a consumer decides to purchase our products. Retail quality checks have been successfully conducted in many markets covering a wide variety of product categories, with engagement from all relevant functions, including Marketing, Sales and Supply Chain. In 2014–2015, 90% of markets had established cross-functional projects for quality defect reduction on the retail shelf.

<sup>1</sup> Lead is a naturally occurring substance in raw materials. [Read more about Nestlé's monitoring of lead here.](#)

<sup>2</sup> Non-GLOBE factories (by nature of the project), joint ventures (China) & Nestlé non-food factories (e.g. Nestlé Skin Health) are excluded.

## Early warning system and Issues Round Table

Nestlé's early warning system (EWS) is a worldwide system designed to identify, evaluate and anticipate potentially emerging risks related to the safety and quality of Nestlé products. The identification of the issues is mainly based on screening of information, exploiting available data and identifying potential risks related to the safety and compliance of new and existing Nestlé products. This activity includes issues such as the counterfeiting of finished products and the adulteration of ingredients.

Issues identified at the EWS level are evaluated at the Food Safety Network and Issues Round Table meetings, to ensure that necessary actions to eliminate, mitigate or manage potential concerns are taken at an appropriate level.

We continue to strengthen food safety issue management through the early warning system, Food Safety Network and Issues Round Table processes. Together, these manage more than 40 topics, 22 of which were closed by the end 2015. To ensure alignment on global issues and ways of working, the Food Safety Network was expanded to include all GMBs and strategic business units, as well as key corporate and operational functions. We also have a Market Engagement Strategy to support markets to identify and manage potential food safety issues.

A Food Safety Stewardship programme has been established as a key initiative. Through this, Nestlé's regulatory, quality and R&D communities are creating standardised, science-based food safety regulations for the whole value chain from 'farm to fork', as well as building on trustworthy, sustainable relationships with external stakeholders.

## Competency development

Our Quality Competency Development process includes tools to support competency building within the quality community. The roll-out of this process commenced at the beginning of 2015, and is intended to be fully implemented in all markets and factories by the end of 2016.

## Engaging with employees and consumers

Through the implementation of stricter and more robust controls, and close engagement with all our employees, we will ensure our products and services are of the highest levels of quality and safety.

In a rapidly moving media environment, in which both consumers and authorities react instantly to real and perceived issues, it is vital that we focus on providing clear and prompt communication to our external stakeholders regarding the quality and safety of our products and services. The highest quality levels will only be achieved if we fully engage with our employees and encourage them to share best practice across the business.

Nestlé's early warning system is strengthened by our Food Safety Network, which enables us to quickly engage with stakeholders across the company to mitigate any potential risks that have been identified. We also have a system to facilitate communication across Nestlé following major quality or safety incidents; with the aim of sharing preventive measures and eliminating root causes so we can stop similar incidents from occurring again.

We want consumers to be able to contact us immediately if there is a problem with any of our products. To enable this, our branded products carry an invitation for the consumer to 'Talk to Nestlé', and all relevant contact details are displayed on the label.

Our worldwide consumer services organisation ensures that we can immediately respond to any consumer or trade complaints, and take the necessary corrective action without delay. Through traditional consumer services and social media platforms, we are also introducing methods that will enable consumers to contact us at any time of the day or night.



# Our people

People are at the core of everything we do. With 335213 employees and operations in 115 countries, Nestlé is truly a multicultural and cross-disciplinary company. Our strong culture, values and principles, based on respect, quality and personal responsibility, unite us worldwide. Creating and maintaining positive individual and collective relationships is part of everyone's job. Offering good working conditions and keeping our people safe, healthy and engaged is always the top priority. In this chapter, we provide insight to demonstrate how we are supporting and developing our employees, in the context of challenges facing our business today.



**34%**  
of leadership roles held  
by women.



New Nestlé  
Maternity  
Protection Policy



**28% reduction**  
in our recordable injury rate  
since 2012.



**6 049**  
regular and temporary  
positions offered by Nestlé to  
young people across Europe.



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## Our role with our people

At Nestlé, we know our people are the key to our success and our achievements are a result of their strong engagement and commitment. We sustain a high-performance culture. It is supported by a total rewards approach and people development that puts the emphasis on diversity, innovation and growth. It means our business is always 'on the move'. We seek to operate with flat and flexible structures, with minimal levels of management and broad spans of control. It increases efficiency, and facilitates the application of our [Nestlé Management and Leadership Principles](#).

We encourage our people to go beyond their comfort zone. Mistakes may be made, but there is always a willingness to correct and learn from them. As a result, employees can have a far-reaching influence and explore their full potential, propelled by continual support and a collaborative approach by line managers and employees.

### The year in brief

#### Challenges

The significance of the hazards we face in our work is increased by the scale of our global operations.

We want to ensure that all of our employees are covered by a certified safety and health management system but we are lagging behind our internal target of 80% coverage. Time taken to deploy resources and build competency for certification beyond Manufacturing and in acquired joint ventures is much more than anticipated.

To prevent and reduce the risk of illnesses (both occupational and non-occupational), we must continue to raise the awareness of our employees and line managers.

The changing role of women and men in society has created a need for gender balance at all levels in business.

Youth unemployment is a major issue around the world. Attracting and retaining the best talent is critical for gaining competitive advantage in a slowly recovering economy.

#### Actions

We have made a step change in reducing our recordable injury rate this year. Actions that contributed towards minimising risk include focus and the continued deployment of key programmes, such as [machinery safety](#), [management of high hazard tasks](#), [ergonomics](#) and [functional compliance](#). Our aim is to strive for true excellence, with the ultimate goal of zero work-related injuries and illnesses.

In 2015, Human Resources demonstrated increased ownership of the follow-up of the scheduled plans. Renewed communication was done within the HR teams. We will continue to do a close follow-up with the concerned markets to ensure adherence to the public commitment.

We are strengthening health programmes, with leadership of HR and supported by Safety and Health functions. These responsibilities will be reflected in our updated Safety and Health Roadmap 2016.

We are continuing the global roll-out of our unconscious bias training through a network of more than 80 trainers.

We are rolling out the Nestlé Global Youth Initiative across all our operations, to recruit and develop the next generation of Nestlé leaders, and to help young people with the transition from education to work.

#### Achievements

**28%**

decrease in our recordable injury rate since 2012.

**70%**

of our employees are covered by a certified safety and health management system.

Our new Framework for Employee Health was approved in February 2015.

**34%**

of our managers are women.

We have organised

**1 756** readiness-for-work events and offered

**6 049** regular and temporary positions in Europe.

Grounded in a culture based on trust and mutual respect, we seek to maintain open and collective dialogue with our employees, their representatives (namely unions) and external stakeholders. It helps us make better decisions and develop stronger relations. We aim to provide an example of good human rights and labour practices throughout our business activities. Our employees have the right to join organisations of their own choosing, such as trade unions, and to engage in constructive negotiations. On top of direct and frequent communication with employees, as our workforce develops and changes over time, we canvass their opinions through a biennial employee survey. In between times, we are acting on the results.

Consistent with our ambition as a leading Nutrition, Health and Wellness company, we are committed to providing our employees all over the world with good working conditions and a safe and healthy work environment. We diligently implement our Safety and Health Roadmap towards Excellence, with 70% of all our employees now covered by certified occupational health and safety standard OHSAS 18001:2007.

We believe safety and health is about people and not about numbers, and our ambition goes beyond the occupational environment. Instead, it encourages concern for the safety and health of our employees, both at work and outside work, embracing the 'whole life' concept. In this context, we recognise that Nestlé may have limited control on all variables that affect employee safety and health. Our goal is, therefore, to encourage, support and enable our employees to take personal responsibility and choose to live, as well as work, in a safe and healthy way.

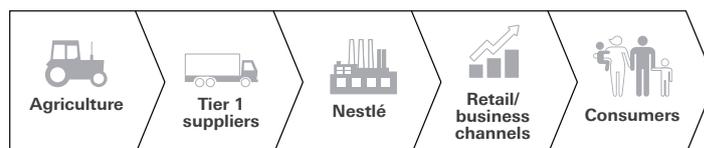
In the shorter term, we are largely focusing on our own employees and on-site contractors but progressively, we are seeking to positively influence the safety and health of others throughout our value chain, bringing broader benefits to our business and the communities in which we operate.

## Material issues

Nestlé uses a formal [materiality process](#) to identify the most important issues for our stakeholders and our business. The results are communicated in a [materiality matrix](#).

Our material issues are also considered and mapped with regard to their degree of importance in different parts of the Nestlé value chain. In the value chain, 'Agriculture' includes smallholder farmers with whom we do not have direct relationships, and 'Tier 1 suppliers' refers to those suppliers in direct commercial relationships with Nestlé.

### The Nestlé value chain



Each material issue is made up of a number of sub-issues, which are highlighted during the research process. They are used as a lens to help define the scope of analysis. In this section, we have provided a synthesis of the findings related to our people.

Four material issues fall under the banner of 'our people' that are rated as being of concern to our stakeholders and of strategic importance to our business: **human resources, safety and health, community development and unemployment, and women's empowerment.** Together, these material issues are a fundamental responsibility for us as an employer and as a responsible company. They are vital to the wellbeing of our workforce and for the efficient functioning of our operations.

Our stakeholders place particular importance on gender diversity in the workforce and at the Board and senior management level. Safety and health is another concern for our stakeholders in both our direct operations and our supply chain.

Employment G4-DMA, Labor/management relations G4-DMA, Occupational health and safety G4-DMA, Training and education G4-DMA, Diversity and equal opportunity G4-DMA, Equal remuneration for women and men G4-DMA

MATERIALITY ISSUE	VALUE CHAIN					KEY: <span style="color: grey;">●</span> Moderate <span style="color: grey;">●</span> Significant <span style="color: black;">●</span> Major
	 Agriculture	 Tier 1 suppliers	 Nestlé	 Retail/ business channels	 Consumers	
<b>Human resources</b>						
Maintaining positive relations with employees and promoting positive working conditions (in last year's matrix, this was called Employee Relations).	<span style="color: grey;">●</span>	<span style="color: grey;">●</span>	<span style="color: black;">●</span>	<span style="color: grey;">●</span>	<span style="color: grey;">●</span>	
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Employee benefits, remuneration, attraction, retention:</b> providing a compensation package including fair pay, benefits and other incentives for attraction and retention.</li> <li>• <b>Employee diversity:</b> respecting and valuing differences such as age, ethnicity, gender, physical abilities/qualities, race and sexual orientation.</li> <li>• <b>Employee engagement:</b> promotion of a workplace where employees are committed and satisfied with their work, and are engaged in solving larger company issues.</li> <li>• <b>Employee training and learning:</b> continuously improving performance and skills of staff.</li> </ul>						
<b>Safety and health</b>						
Targeting zero accidents in the workplace and promoting safe and healthy employee behaviours.	<span style="color: black;">●</span>	<span style="color: black;">●</span>	<span style="color: black;">●</span>	<span style="color: grey;">●</span>	<span style="color: grey;">●</span>	
<b>Women's empowerment<sup>1</sup></b>						
Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community.	<span style="color: black;">●</span>	<span style="color: grey;">●</span>	<span style="color: black;">●</span>	<span style="color: grey;">●</span>	<span style="color: grey;">●</span>	
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Women farmers:</b> protecting the rights of women in the agricultural labour force and improving their access to and ownership of agricultural resources and inputs.</li> </ul>						
<b>Community development and unemployment<sup>1</sup></b>						
Improving people's lives through community and societal participation and improving access to employment, education and skills development.	<span style="color: black;">●</span>	<span style="color: grey;">●</span>	<span style="color: black;">●</span>	<span style="color: grey;">●</span>	<span style="color: grey;">●</span>	
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Community relations:</b> positively engaging with communities in areas of operation.</li> <li>• <b>Income and wealth inequality:</b> working to close the gap in the distribution of income, wealth and assets.</li> <li>• <b>Living wage:</b> ensuring those in work are paid enough to maintain a decent standard of living, adequately covering the costs of food, shelter, and other necessities for oneself and one's family.</li> <li>• <b>Youth unemployment:</b> tackling the number of young people not in employment, education or training.</li> </ul>						

<sup>1</sup> These issues have sub-issues that are shared across Rural development and Our people.

## Our commitments

We shared a number of public commitments in 2012, and continue to publish our progress against them every year. They reflect the material issues of our business and help shape our strategy for continuous improvement. We have revised three existing commitments (see below) to reflect ongoing progress:

- [Ensure all Nestlé employees are covered by a certified Safety and Health Management System](#);
- [Enhance gender balance in our workforce](#);
- [Provide training on Corporate Business Principles, Nutrition and Environmental Sustainability](#); and
- [Roll out the Global Youth Initiative across all our operations](#).

We successfully embedded learning around Creating Shared Value into all of our courses delivered during 2015 at our international training centre in Vevey, Rive-Reine. Now we seek to do the same with learning around the Nestlé *Corporate Business Principles*. We are also rolling out the Nestlé Youth initiative beyond our European operations.

Our progress against the commitment objectives is indicated throughout the chapter using the following icons:

- Achieved
- ◐ In progress
- ◑ Not yet achieved
- ⊕ New objective

## Governance and management systems

### Human Resources

Our Human Resources (HR) structure is based on three dedicated areas:

- **Centres of expertise** – provide specialised services to the business;
- **Business partners** – embed HR strategies within specific areas of the business; and
- **Employee services** – provide HR support to all business functions.

Strategic responsibility for governance lies with Peter Vogt, Deputy Executive Vice President, Head of Human Resources and Centre Administration, while final accountability rests with our Executive Board and our CEO.

### Safety and health management

Our current [Safety and Health Roadmap towards Excellence](#) sets out Nestlé's strategic vision for safety and health performance until the end of 2015. It successfully steered the direction and focus of our activities on a global level over the last four years.

The roadmap has helped us develop and deploy programmes designed to reduce our key risks. The risks were identified earlier, based on analysis of our injury and illness data and our management's ambition to make a step change in terms of our safety and health performance.

In 2015, we have revised our mandatory standard for Safety, Health and Environmental Incident Reporting & Investigation, providing a framework for more consistent reporting. It ensures we continue to have a clear and well-established procedure for defining and reporting all types of incidents.

We track and analyse our safety and health performance regularly during the year, using a combination of [leading and lagging indicators](#). In addition, incidents that are classified as major (as per our procedure) are communicated within 24 hours to senior management at local sites, as well as at the Group head office. This initial announcement is followed by a detailed investigation report.

In our monthly Executive Board meetings a review of work related fatalities is included. In addition, all new global programmes are approved by a member of the EBM at final draft stage. This year, our Executive Board approved the new [Nestlé Framework for Employee Health](#). It helps to structure and focus existing efforts, promote proven practices, ensure cross-fertilisation and guide future developments in our markets and at a global level.

We leverage digital communications by regularly posting relevant safety and health articles, films and initiatives around the world onto our Chatter (internal social media platform) group called We make Nestlé Safe. It is an open digital forum for sharing ideas and global best practices.

## Our policies and standards

We ask all our people to take pride in living by the values and principles of Nestlé, regardless of their position in the organisation. It is an approach supported by a number of policies, codes and principles, designed to engender mutual respect, personal development and safe working. They are as follows:

- The Expatriation Policy;
- The Flexible Work Environment at Nestlé;
- The [Nestlé Code of Business Conduct](#);
- The [Nestlé Corporate Business Principles](#);
- The [Nestlé Employee Relations Policy](#);
- The Nestlé Enterprise Risk Management Principles (internal);
- The [Nestlé Human Resources Policy](#);
- The [Nestlé Management and Leadership Principles](#);
- The [Nestlé Maternity Protection Policy](#);
- The Nestlé on the Move Policy;
- The Nestlé Recognition Framework;
- The Nestlé Policy on Conditions of Work and Employment;
- The [Nestlé Policy on Safety and Health at Work](#);
- The [Nestlé Supplier Code](#); and
- The Nestlé Total Rewards Policy.

In June 2015, we launched a Maternity Protection Policy for employees worldwide. It is estimated to be one of the most progressive programmes of its kind in the industry. The policy is based on the International Labour Organization (ILO) [Maternity Protection Convention](#) and establishes minimum standards that must be implemented at Nestlé workplaces by 2018. It forms part of our commitment to the UN's Every Woman Every Child, the Clinton Global Initiative and the UN Global Compact. [Learn more about the policy here.](#)

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

- The eight [ILO Core Conventions](#);
- The [ILO Tripartite Declaration of Principles](#);
- The [International Bill of Human Rights](#);
- The [Organisation for Economic Co-operation and Development \(OECD\) Guidelines for Multinational Enterprises \(2011\)](#); and
- The [UN Framework and Guiding Principles on Business and Human Rights](#).

## Measuring and sharing our progress

We measure our performance against [KPIs](#), many of which are shared in this report. The Safety, Health and Environmental Sustainability – Performance Management (SHE–PM) system allows us to record and collate performance data on leading and lagging indicators (including work-related injury and illness rates). Nestlé communicates progress externally through this report and by participating in a number of [external schemes](#).

### The 'Nestlé & I' employee engagement survey

Our employee survey, Nestlé & I, is conducted every two years. In 2014, working with new external partners, we improved it to increase insight around culture and recognition. The survey was circulated to around 260 000 employees for input and the global results were published in early 2015. Over the course of three survey cycles (2014–2019), we aim to achieve:

- A 5% increase in engagement;
- A global participation rate of 90%;
- A 20% reduction in the time the survey takes to complete; and
- 100% of the reports delivered on time.

The global results indicated that we achieved an 87% participation rate globally, the highest since the beginning of Nestlé & I, with views from 226 200 employees, working in various markets, functions and globally managed businesses.

At the Group level, and compared to the previous cycle, results showed an 84% engagement level, representing a 6% improvement compared with the last survey in 2012. Overall, the results also showed favourable performance compared to similar companies in the global FMCG sector.

Going forward, our focus needs to be on leadership, personal growth and development, and efficiency and empowerment, which strongly influence our employees' levels of engagement and enablement.

Relevant line managers with a certain minimum number of direct reports received an individual report for review. They will agree improvements, together with the support of HR business partners and their teams.

In the Philippines, as a result of the survey findings, factory changes are helping to improve gender balance, with lines adapted to ensure access and gender sensitisation training. In Chile, factory facilities have been adapted and improved for women.

## Multi-stakeholder activities

Addressing challenges around safety, health and wellness, labour relations, diversity and developing talent is complex. It requires collaboration by many stakeholders. We believe that participating in industry efforts can help raise standards, making our industry more efficient and successful.

In 2015, Nestlé USA announced that it will become a founding member of the Working Parent Support Coalition, a group of businesses that are implementing progressive policies to improve support for working parents. The announcement was made at the 2015 Clinton Global Initiative Annual Meeting – an event that brings together global leaders to create and implement solutions to the world's most pressing challenges. [Learn more here.](#)

Nestlé S.A. is an active member of GRSP (Global Road Safety Partnership) which is hosted by the IFRC. This promotes and supports the UN Decade of Action for Road Safety. Nestlé Cameroon is an active member of the Safe Way Right Way Foundation, which actively promotes road safety in the country.

### Recognising our people

Recognising the contributions and achievements of our people is important to our business and can help motivate and inspire others. How we do this is covered in our Nestlé Recognition Framework, which focuses on the importance of ensuring that appreciation is an everyday occurrence. Recognition is now a key HR priority and, using our global strategic Recognition Framework, we drive a consistent approach that is locally relevant at each level of the organisation. We have introduced a recognition toolkit portal, as well as specific training for line managers.

## Employee volunteering initiatives

Volunteer programmes provide our employees with the opportunity to engage with local communities and help them. At the end of 2015, 84% of markets had employee volunteering activities, 81% of which contain nutrition, health and wellness components.

Each market takes ownership of the planning and implementation of volunteer programmes, providing resources based on an agreed annual budget. Where a market has unique local priorities, volunteer programmes can focus on meeting other urgent needs of the local communities.

Nestlé has a global partnership with the International Federation of the Red Cross and Red Crescent Societies (IFRC) for offering volunteer activities.

Local partnerships can also be coordinated by markets. Community needs for these partnerships are determined jointly by the market, the partner organisation and the community.

### Nestlé overseas volunteering with the IFRC



As part of our ongoing partnership with the IFRC, a Nestlé employee from our headquarters travelled to Ghana in November 2015. Over four weeks, he assisted as an IFRC volunteer with field training and visits to assess the impact of a local water and sanitation (WASH) project in communities where our cocoa is grown.

The final programme is designed to meet three supplementary needs: to improve nutrition, reduce disaster risk, and safeguard the health of newborn babies and their mothers. A baseline survey was conducted in all selected sites during mid-November.

The volunteer team, of which the Nestlé employee was a member, surveyed more than 1000 households in just four weeks, collecting data from 51 targeted communities. The information helps the IFRC to refine its approach and determine its ultimate impact.



**Read more** about work with the [IFRC](#).

# Safety, health and wellness

At Nestlé, safety is non-negotiable. We believe all accidents are preventable and work hard to foster our company's safety and health culture. Our aim of zero work-related injuries and illnesses is ambitious; with the help of the programmes set out in our Safety and Health Roadmap, we are steadily moving towards it. We are also helping employees make more informed decisions on their health. The Nestlé Framework for Employee Health was approved in February 2015. It will help structure and focus existing efforts, promote proven practices, ensure cross-fertilisation and guide future developments at all levels.

## Our commitment



**Ensure all Nestlé employees are covered by a certified Safety and Health Management System**

## Our objective

- **By 2016** – Ensure that robust safety and health management systems are in place and certified to OHSAS 18001:2007, covering all Nestlé employees' populations so there is a uniform level of safety and health protection across all businesses.

### Safety and health management systems certified to OHSAS 18001:2007 by the end of 2015

Type of facility	Number certified
Factories	427
Distribution centres	123
R&D centres	29
Offices	107
Field sales forces	79

We continuously improve our safety and health standards, procedures and processes, using the Nestlé Occupational Safety and Health Management System. It is based on the internationally recognised standard OHSAS 18001:2007. We use third-party auditors to verify the implementation and certification of these systems.

This year, we are continuing to expand the scope of our management systems beyond manufacturing, to ensure employee populations are covered in our Research and Development (R&D), Office and Sales, and Supply Chain functions. We are working to ensure our markets have robust safety and health systems in place, covering all of our employees by a certified management system by the end of 2016. We progressed from 61% coverage to 70%<sup>2</sup> by the end of 2015 but we are behind target to meet our internal yearly objective of 80% for 2015. A key contributor is insufficient time anticipated for resource mobilisation and competency building beyond manufacturing and in acquired joint ventures, in order to achieve certification. However, where needed, functional support is being provided to maintain and accelerate progress and we are continuing to monitor progress on a regular basis.

## What is OHSAS 18001?

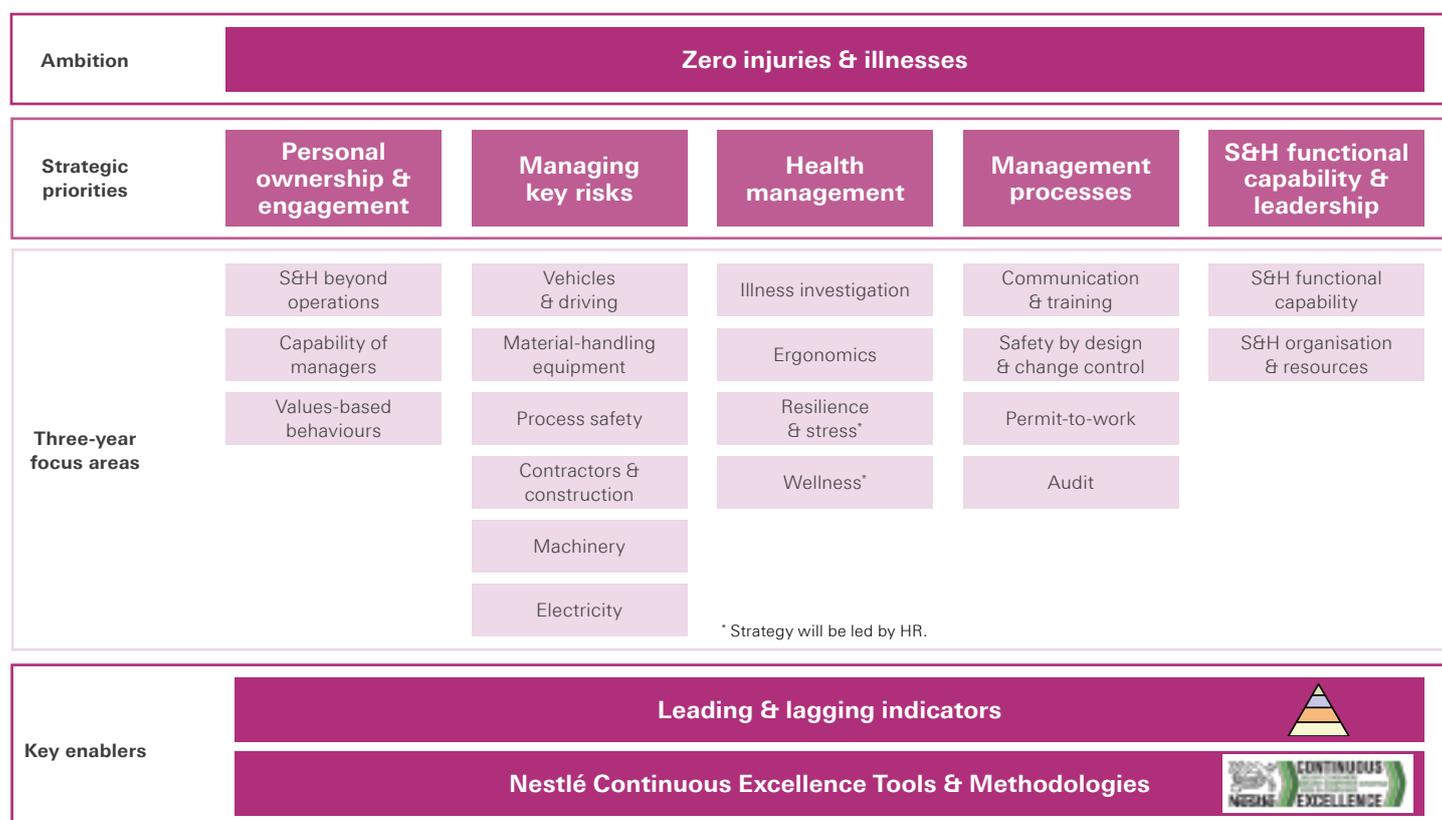
BS OHSAS 18001 is a framework for an occupational health and safety management system. It sets out the minimum requirements for best practices, enabling organisations to:

- Create the best possible working conditions across organisations;
- Identify hazards and implement management controls;
- Reduce workplace accidents and illness to cut related costs and downtime;
- Engage and motivate staff with better and safer working conditions; and
- Demonstrate compliance to customers and suppliers.

Our facilities that are not yet certified to OHSAS 18001 are covered by our global external audit programme, CARE. It monitors compliance with local legislation, the [Nestlé Code of Business Conduct](#) and the [Nestlé Corporate Business Principles](#), including those items specifically relating to safety, health and environmental sustainability. Sites that are OHSAS 18001 and ISO 14001 certified are exempted from two elements, related to safety and health, and environmental sustainability during their CARE Audits.

<sup>2</sup> 70% is in reference to employees and not sites

## Our Safety and Health Roadmap towards Excellence



### Our Safety and Health Roadmap towards Excellence

The Nestlé Safety and Health Roadmap sets out our ambition, strategic priorities and focus areas. It is not intended to be an exhaustive list of everything that we work on – its aim is rather to set high level priorities which will guide our planning processes over the next few years. The Ambition and Strategic Priorities reflect long-term commitments while our focus areas identify where we will target efforts to drive improvements.

We encourage all our business teams to use the roadmap and adapt it based on local priorities, if necessary. Since its introduction in 2012, we have seen improvements in employee personal ownership and engagement, resulting in greater levels of protection of our people at work. It has also enabled a deeper integration of health within our safety programmes. Behavioural change has been delivered through new Group-wide programmes and local initiatives, aligned with our strategic priorities.

As a result, our recordable injury rate decreased from 3.56 in 2012 to 2.57 in 2015. This assures us that our efforts are bearing fruit and we are heading in the right direction.

As for illnesses – where we did not have a solid baseline – we are getting better at recognising where work contributes to ill health. But we also know that we have a long way to go in this regard. We are conducting ergonomics workshops in different markets and enhancing the capability of our managers to make the link between work and the associated effects on health. An e-learning module on ergonomics has also been deployed.

We are actively encouraging markets to report work-related illnesses transparently, to establish a more robust baseline.

Accordingly, we have not currently fixed improvement targets, believing that our illness rates will show a reverse trend for some time. However, we are confident that this is not reflective of the working conditions at our sites, and instead indicates the improved capability of our management to recognise work-related illnesses.

There are some topics that do not feature in the roadmap, but can clearly impact workplace health. With noise, for example, we have recognised its importance and effect on workplace health and, in 2015, we revised our Group standard on workplace noise to reflect current best practice. Our Engineering and Packaging functions are working diligently to ensure that we take care of such aspects during the design stage of the new machinery.

In 2014, in order to remain relevant to the new and changing reality, we conducted a workshop at the Group head office with our key stakeholders, comprising members from various corporate functions, as well as line managers from our Zone management and our globally and regionally managed businesses. The workshop was designed to gather their feedback on our achievements, current activities and programmes, new areas of concern, or opportunities for improvement. We also conducted separate tele-conferences with market Safety, Health and Environment Managers from all the three zones, seeking their input. In 2015, using this feedback, alongside analysis of our 2014 injury and illness data, we updated our current roadmap for the next three years (2016–2018). This renewed Nestlé Safety and Health Roadmap towards Excellence is applicable from 1 January 2016 and more information will be shared in the CSV 2016 report.

## Strategic priority 1: personal ownership and engagement

To achieve our ambition, we need to ensure everyone is engaged across our business. A key focus for our activities is behavioural change to renew personal ownership.

### Safety and health beyond operations

Traditionally, safety and health activities and programmes were mainly targeted at our manufacturing sites. However, in order to care for all employees who work in other parts of the business, we have expanded the scope beyond operations. We have revised the requirements for sales and supply chain, and have committed to cover all employees under a certified safety and health management system. We have strengthened our partnership with HR to sponsor safety and health beyond operations, putting in place clear responsibility for leadership and support. This partnership is improving compliance in our Sales, Supply Chain and Office-based functions. Senior management from functions other than Manufacturing are increasingly engaged on this important matter and are actively sponsoring the implementation of initiatives and programmes that will enhance safety and health in their part of the business.

### Capability of managers

We believe that top management leadership is the single most important determinant in improving the safety and health performance. We have, therefore, deployed training programmes to improve the capability of managers to lead continuous improvement in safety and health. Safety and health is being steadily integrated into senior leadership training courses at our global training centre at Rive-Reine. We are using a number of trainers, both internal and external, to deliver training and we monitor progress against this leading indicator, using our performance tracking tool. Our Leadership Through Safety® programmes are designed for us, integrating Alletrus's successful methodology. They rely on cognitive science to drive behavioural change. Since 2011, nearly 3500 Nestlé leaders in the USA received training, including 1199 in 2015<sup>3</sup>.

In our European businesses, we have introduced a safety and health coaching programme, which helps management teams to improve their leadership and ownership related to safety and health. More than 30 senior safety and health professionals within the company, who have demonstrated excellent coaching styles and skills, have been selected to undertake these visits. Coaches spend three days with each team, coaching them in one-to-one and group sessions. The programme is complementary to other processes, such as auditing or the functional compliance programme. In 2015, it covered 28 units in Europe. This initiative is proving to be a best practice, and so we plan to significantly increase coverage to 58 sites in 2016.

### Values-based behaviours

Nestlé is a company founded on caring: for our consumers, for the environment and for our work colleagues. Fundamental to this approach is the creation of a mutually supportive work

environment in which we all care for – and look out for – each other: giving 'the gift of feedback' to help each other stay safe and healthy. The feedback can be in the form of peer-to-peer or management feedback.

This approach is used to constructively modify the behaviour of our employees and contractors at site. This process is focused on modifying behaviour and is complementary to other programmes aimed at improving the systems of work. The number of behavioural feedback sessions are a leading indicator and it is tracked through our performance tracking tool. Each unit/market has its own defined targets. In 2015, we had a total of 4088650 behavioural observations globally.

## Strategic priority 2: managing key risks

We are continuing to implement global best practices to manage the key risks or focus areas outlined in our roadmap. Our progress during 2015 is outlined in the sections below.

### Vehicles and driving

Vehicles and driving remain the leading cause of work-related fatalities in Nestlé. We continue to develop, monitor and enhance local safe-driving programmes in our markets. To assist our work in this area, we are members of the Global Road Safety Partnership, support the United Nations Decade of Action for Road Safety and network extensively to identify and adopt best practices. More than 67 780 drivers in 61 countries were registered for training on our VRM e-learning platform in 2015.

Since 2014, we have included safe driving metrics in our global internal reporting tool (SHE-PM) to give us greater visibility of our performance. In 2015, we updated the existing mandatory global safe driving standard to incorporate current global good practices and clarify expectations, particularly regarding working hours, distraction, including a ban on mobile phones (both hand-held and hands-free), driver training, risk assessments, pre-hire assessments, vehicle features and health capability assessments. We have also expanded the scope to include vehicle use on Nestlé sites and the use of personal cars for company business. The standard is supported by a guideline that provides advice and tools to aid markets in implementation. Our markets will apply the requirements progressively until mid-2017.

Wherever possible, we work with our third-party logistic service providers to promote safe driving practices. Through our responsible sourcing engagement programme, we are continuing external auditing of our Zone Asia, Oceania and sub-Saharan Africa third-party logistic service providers. These include an ethical component, arranged and hosted by third-party logistics suppliers, to show adherence with national and international laws and standards.

In 2015, we audited our third-party suppliers in AOA, equating to 77% of our expenditure on transport and logistics in the region.

<sup>3</sup> This includes Nestlé USA, Nestlé Nutrition, Nestlé Professional and Nestlé R&D; and these figures are not adjusted for those trained who have left the company since 2011.



## Virtual Risk Manager for safe driving

In the UK and Ireland, Nestlé employs approximately 5500 people and operates more than 400 company vehicles and a rental fleet. Since 2012, the market has worked to enhance safe driving activities through an integrated programme of data-led driver risk assessment and monitoring. A wide collaboration across functions has played a key part in its success, involving colleagues from Safety, Health and Environment, Risk Services, HR, Learning and Development, Legal and Operations.

Using Virtual Risk Manager (VRM), the market's Safe Driving Programme has achieved compliance improvements, incident reductions, reduced insurance costs and resulted in reputational benefits.

VRM was specifically used to:

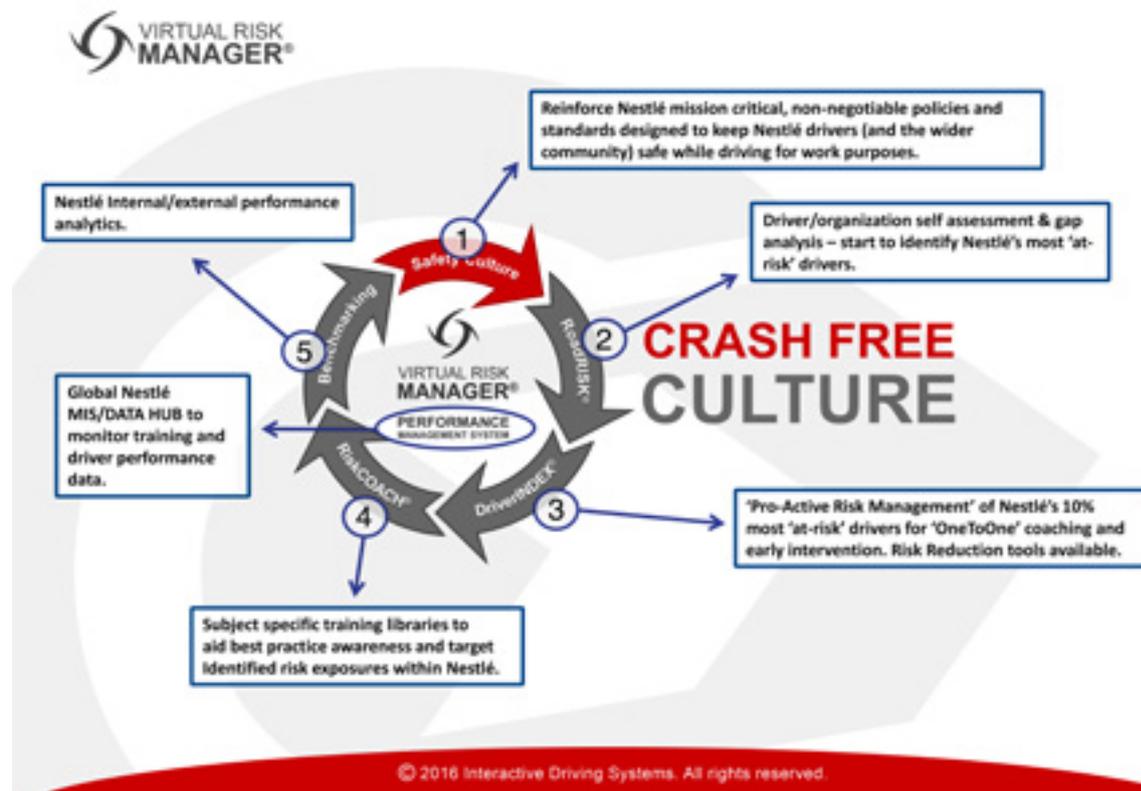
- Check licences;
- Identify and engage drivers in road safety;
- Manage data privacy issues;
- Ensure drivers understand and comply with policy and rules;
- Engage a diverse range of driver types across multiple sites; and
- Identify and target key risk factors through communications and coaching.

All drivers are coached using online materials covering topics such as attitude, speed and bad weather in the run-up to winter. The most at-risk drivers are engaged based on their exposure levels, risk assessment outcomes, collisions and penalty points showing on their licence. Over time, a DriverINDEX was adopted as the trigger for training interventions. Management training is being piloted and undertaken to allow first-line managers to work with their teams, emphasising the importance of everyone getting home safely at the end of each working day. Training records are included in the system.

Leading indicators have moved from unknown compliance levels in 2012 to nearly 94% in 2015. As well as ensuring good practice and targeting risk, it provides drivers, managers and the organisation with a high level of personal liability and brand protection. Although it shows good progress, there is more to achieve – focusing on topics such as speed choices, driving too close, journey planning, slow speed manoeuvring, defensive driving, minimising distractions and sharing the road.

Since the programme's launch, Nestlé has received external recognition from organisations, including the [Prince Michael International Road Safety Awards](#). A case study was shared at events, including the Fleet Europe and Logistics Research Network conferences in 2015, and it has become a [Driving for Better Business](#) case study. Internally, it was shared at events such as the European Annual Safety and Health conference.

## The Nestlé Virtual Risk Manager Programme





## Safe driving

### Collaborative action to reduce driving risks

We are progressively building road safety into procurement standards for contractors, subcontractors, joint-venture partners and other vendors. Our corporate Safety and Health function and Group Risk Services, along with our external insurer, periodically review the efficacy of our Safe Driving Programme, which is funded through our captive insurer Intercona Re.

It is a unique financial model whereby the fully owned Nestlé insurance company supports Nestlé entities in addressing risk management and loss prevention. It is a win-win for all concerned stakeholders as, on one hand, it helps the markets deploy safe driving and loss prevention programmes and, on the other, it optimises Nestlé's Total Cost of Insurable Risk.

To reduce driving risks, we are increasing internal collaboration between our Risk Services, Safety and Health, HR and Procurement functions. We are also increasing our focus on emerging markets with evolving road safety standards.

### Safe Driving Programme in the Middle East

Work-related driving has contributed to several fatalities in our Middle East region in the past years. In order to improve this situation, in 2015, the market nominated Safe Driving Champions and imparted training on Virtual Risk Management and telematics dashboard training to safety and transport managers. The champions carried out a communications campaign through emails and banners. They have formalised, integrated and consolidated monthly measures in a common platform for analysis.

Going forward, in 2016, our Nestlé Middle East Zone is preparing for the next phase of its Safe Driving Programme. This will include driver feedback on performance data, risk rating, benchmarking and the integration of telematics. It will use data to:

- Identify the top 10% most at-risk drivers and provide coaching by line managers;
- Recognise excellent and low-risk drivers;
- Reinforce safe driving messages; and
- Monitor driver performance in monthly operational reviews.

### Nestlé Spain wins Fleet Management Award in 2015

Nestlé Spain has won a Fleet Management Award from the Spanish Association of Car Fleet Management, as a result of practices in the training and awareness of road safety. They were awarded with the first prize, standing out in terms of content, perseverance, on-site follow-up, the number of initiatives and dimension of the collective.

### Road safety training in Pakistan

Nestlé Pakistan is working in collaboration with National Highway and Motorway Police to create awareness of road safety in Sheikhpura. Road infrastructure is poor in many of the rural areas where we collect milk, increasing the risk for drivers, and awareness of road safety is also low in the local community. There are currently six third-party vendors working with Nestlé to transport fresh milk from 30 main regions across an area which is about 110 000 km<sup>2</sup>. Vehicles can number more than 500 in high season, when milk output increases considerably and additional vehicles have to be deployed to handle it. By supporting the safe driving programme of the National Highway and Motorway Police, Nestlé Pakistan has made a huge contribution to the cause of road safety within the society. Since its beginning in 2008, the institute has trained 31 000 drivers pertaining to public and private organisations (including drivers employed or contracted by Nestlé Pakistan).

### Safe driving in the United States

More than 16 000 Nestlé USA employees have completed an online defensive driving course since it was launched in 2014. The National Safety Council recognised Nestlé USA with a Trend Setter Award in 2014 for making our world safer. Nestlé USA also participated in the Network of Employers for Traffic Safety (NETS)-sponsored Drive Safely Work Week, which engaged employees in daily blogs and communications.

In addition, the Nestlé USA Supply Chain Team discovered an opportunity for improvement with our drivers' close-quarter manoeuvring (e.g. parallel parking, right turns, alley dock backing) and developed a unique Truck Drivers' Skills Assessment programme or Safe Driving Truck Rodeo with the involvement of the State Troopers. They are completing Truck Rodeos across the country to engage professional long-distance drivers in a competitive training programme. The rodeo assessment consists of three main components and prizes are given for both individual and team recognition. The number of close-quarter incidents have been reduced by 40% immediately following the rodeo events and two locations have reported zero incidents. The process, which supports our Safety, Health and Environment priority for safe driving, has garnered external recognition with regulatory agencies and the general public, while engaging leaders and drivers in fun, capability-building exercises.

Watch more at [Nestlé USA Truck Rodeos](#).

### Material-handling equipment

Material-handling equipment, such as forklift trucks, presents another key risk for our business, particularly at factories, warehouses and distribution centres. Collisions with pedestrians can result in serious injuries, and the operators themselves are also at risk. Learning from some of our major incidents, we have developed a consistent approach to risk assessment and controls across all sites – especially around the segregation of pedestrian and vehicle traffic. This year, to incorporate the learnings from some of our major incidents, we revised our global standard on material-handling equipment. In addition, corporate Supply Chain has taken strong actions to eliminate unsafe ways of working with forklift cages. We have created and deployed videos about loading dock safety for awareness and training purposes.

### Process safety

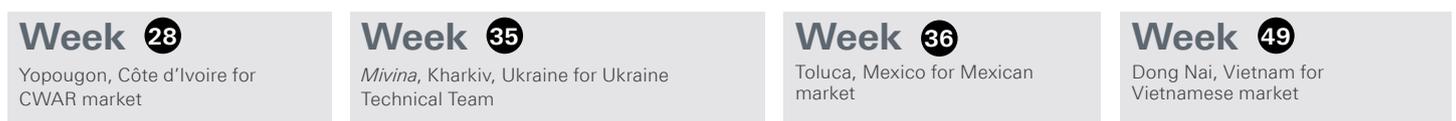
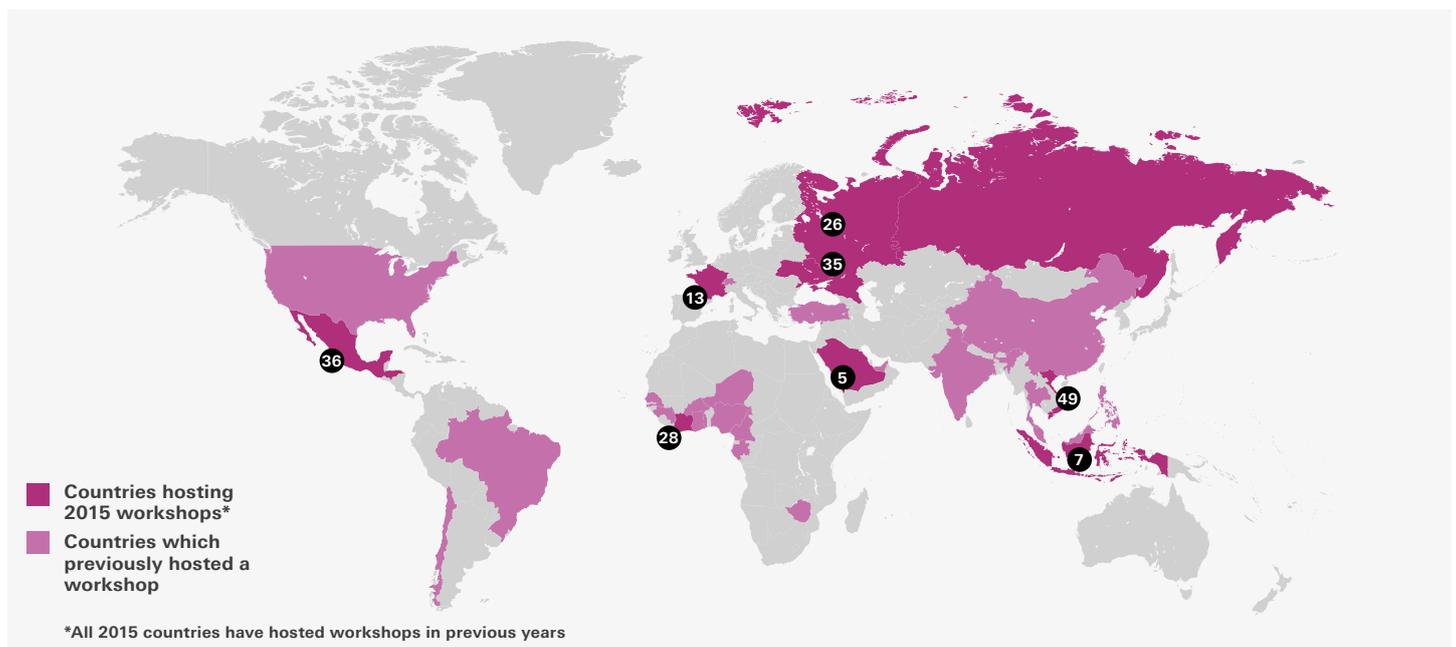
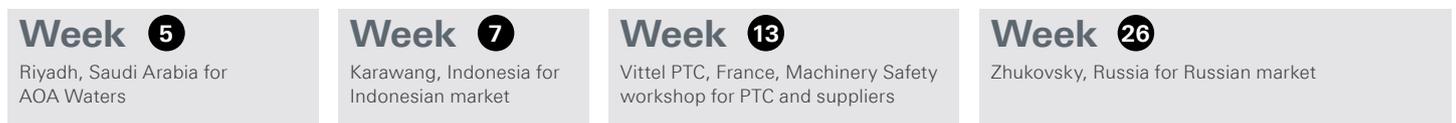
Process safety risks such as boiler safety, ammonia releases, powder fires and pressure system failures are being addressed with greater focus on competency building of our engineering community. In 2015, there was a particular focus on boiler safety, as well as ammonia safety and globally, several workshops were organised in all three zones to build a network of certified assessors across Nestlé world. Process safety incidents are part of major incident reporting procedure as well, and each incident follows the process of a detailed investigation at site level.

### Contractors and construction

Contractors and construction activities present a significant risk, especially in emerging markets. In particular, falls from heights are cause for concern. Project management on capital projects has been improved with a stronger methodology that provides a greater focus on safety and health. Our Safety and Health scorecard is now used in 100% of our major projects. We have also enhanced our safety and health training for project managers and engineers. It has generated better results, with no fatalities in 2015 as a result of falls from a height, but we need to continue with sustained efforts. In 2015, a task force was put in place to revise our global Working at Height Standard. It will be rolled out in 2016.

Alongside improvements to our capital projects, we have also updated our Group standard on contractor management. It outlines our expectations for each site to put in place a process based on the principle of cooperative working for selecting contractors, planning work activities and ensuring safe execution. The new standard provides a tool for categorising contracts and determining the level of oversight required to reduce the risk of incidents.

### Our Machinery Safety programme map



## Machinery

We improved our approach to machinery safety with new assessment tools during 2014, as a response to unacceptably high numbers of machinery-related injuries. Our Machinery Safety programme has been rolled out further and several regional workshops were held in 2015 ([see map on previous page](#)), in addition to those held earlier in 2014. Through these efforts, we have developed a more comprehensive and systematic approach to machinery safety, including machine guarding and safe methods of intervention. We are also striving to strengthen the same in new business acquisitions.

## Electricity

Nestlé's standards include safe work practices necessary for the practical safeguarding of personnel (Nestlé, contractors and the public) during the installation, inspection, operation, maintenance and demolition of electric conductors, electric equipment, signalling and communication conductors and equipment, for all Nestlé facilities.

Our electrical safety programmes are designed to maintain a safe and reliable electrical system for our facilities and protect employees and the public. We strive to accomplish these objectives through the following key activities:

- Support key Group activities through technical standards, guidelines and specifications;
- Competence building by providing training on electrical engineering-related subjects;
- Dissemination of relevant technical information to the global engineering community; and
- Providing technical support to our market and factory engineering teams.

We are continuing the deployment of a third-party electrical audit programme across our factories. The electrical distribution systems mandatory gap audit allows us to identify and minimise the risks of electrical failures, which can lead to injuries, loss of production and damage of production equipment or buildings. It also helps to organise an action plan for the modernisation of the electrical distribution network and provides justification for capital expenditures. At the end of the audit, a report is created with technical observations and deficiencies, including critical electrical equipment that is obsolete and a modernisation plan with recommendations for corrective actions. We plan to assess all our factories that are older than 10 years within the next three years.

## Strategic priority 3: health management

Our roadmap recognises that safety and health are fundamentally interconnected. Healthier employees are more resilient and resistant to injury and illness. They are also more engaged, demonstrate higher performance and live more fulfilling lives. We are strengthening our occupational health programmes by focusing on illness identification, investigation, ergonomics, stress, resilience and wellness. Responsibility for leading the individual focus areas is shared between the Human Resources and Safety and Health functions.

### The Nestlé Framework for Employee Health

The new framework comprises three pillars:

- **Learn:** helping employees enhance their health knowledge and become passionate Nutrition, Health and Wellness ambassadors;
- **Feel:** helping employees access information about – and take ownership of – their own health; and
- **Choose:** helping employees develop and maintain healthy lifestyles.

It includes a foundation element of occupational health, reflecting the need to continue enhancing working conditions, protecting our people at work and ensuring compliance with company and legal requirements.

A global networking group of 67 Health and Wellness Champions has been created to promote and implement programmes in 44 markets, representing 246 794 of our employees.

A new Nestlé Framework for Employee Health was approved in 2015, to help structure and focus our efforts (see above). Since its introduction, our markets have started to adapt their own health strategies to the new pillars and foundations elements. At our corporate level, four web meetings took place in April and June, involving representatives from the markets to raise awareness on the framework and assist in the cross-fertilisation of ideas.

### Illness investigation

For Nestlé, illness investigation is about getting better at recognising the impact of work on employee health. We seek to identify learnings and use the information to address and reduce workplace health risks.

We modified our performance management systems to report work-related illnesses separately from work-related injuries in 2013, so we are still on a learning curve in this area. We are raising awareness of occupational illnesses throughout the company and working to strengthen internal capabilities for recognition, diagnosis, investigation and reporting. We encourage our markets to recognise the impact of health on work and have produced guidance for employees on the investigation and improved recognition of work-related illnesses.

Since introducing separate rates for work-related injuries and illnesses as indicators in SHE-PM, we continue to see significant variations in recognition across our operations in different countries and geographies. We are striving to improve this situation by raising awareness. We have created slide packs that contain different scenarios and advice on recognition and classification. Overall, there has been a substantial increase in the number of recorded illnesses, which we believe is the direct result of improved recognition and diagnosis. We expect this figure to continue increasing for some years, before starting to reduce.

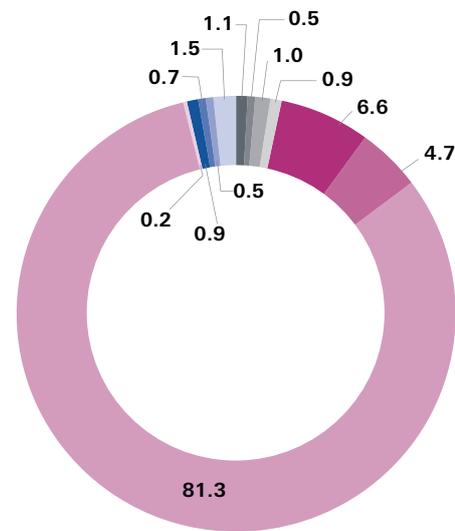
We also plan to improve the tracking of our overall sickness absence. Currently, it is not being tracked in SHE-PM. During 2015, we developed an automated process, using our time management solution and SAP. The process will be launched in the first half of 2016. This will help us to further analyse the contribution of work-related illnesses to our overall sickness rate, if any.

**Sickness absence (%)**

2013	2014	2015
1.9	1.4	<b>1.6</b>

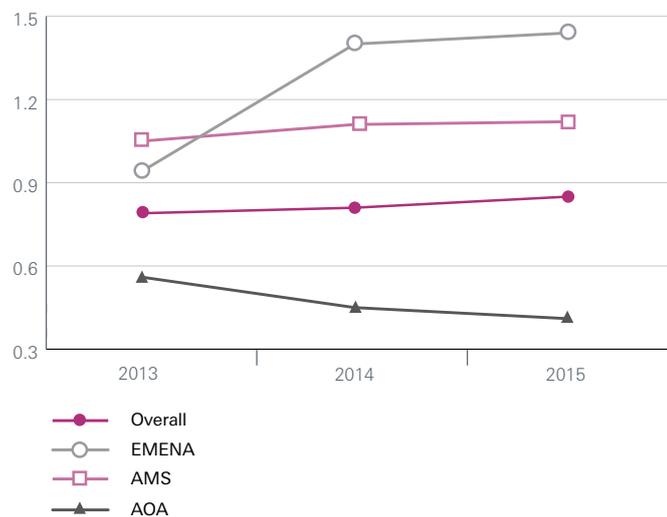
Covers 314336 employees.

**Recordable illnesses by classification (%)**



■ Allergy (other disorder)	1.1
■ Allergy (respiratory disorder)	0.5
■ Allergy (skin disorder)	1.0
■ Digestive system disorder	0.9
■ Hearing impairment	6.6
■ Mental disorder	4.7
■ Musculo-skeletal diseases (MSD) from manual handling, awkward postures or repetitive tasks	81.3
■ Poisoning	0.2
■ Respiratory disorder (excluding allergic reaction)	0.9
■ Skin disorder (excluding allergic reaction)	0.7
■ Vision impairment	0.5
■ Unknown	1.5

**Total recordable illnesses rate for employees, on-site contractors and on-site members of public (per million hours worked)**



Includes joint ventures.  
Recordable illnesses are those work-related illnesses that result in: medical treatment beyond first aid, restricted work, lost time, or fatalities.

**Ergonomics**

With the available data in SHE-PM, we find that around 81% of our recordable illnesses are musculo-skeletal diseases. It is, therefore, critical to assess and improve the ergonomic design of our workstations and work tasks. We believe that a greater focus on ergonomics will help us reduce the risk of work-related illness. At the same time, it will generate more reliable operations, with reduced cycle times and lower error rates.

Our ErgoPro Initiative is a proactive programme that is improving workplace health. It is intended to deliver reduced absenteeism and higher morale. Of our markets, 75% (33 markets) have been trained in the use of ErgoPro model, whereas others are using their own methodology aligned with ErgoPro objectives. Together, they are enhancing our ability to assess and manage ergonomic risks within our factories, with a focus on manual handling and repetitive tasks in our production lines. We have held regional ErgoPro workshops using the 'train the trainer' module.

## Resilience and stress

Personal and team resilience refers to the capacity of individuals and teams to stay healthy and achieve high levels of performance in the face of work pressure. In Nestlé, we are working proactively to enhance our resilience and our physical and mental health. In July 2015, we launched the Nestlé Guidance on Stress and Resilience, which is currently being communicated across our business. We conducted four Skype meetings explaining the stress and resilience guideline, which is meant to support local programmes, reaching our Health and Wellness Champions and safety and health managers.

The new guideline recommends a holistic approach to reduce the risk of work-related stress for our people, through methods including communication, education and training, risk assessment, personal resilience, support for individual employees (such as employee assistance programmes) and flexible working.

## Wellness

Wellness is an essential aspect of our Group business strategy, as it relates to the foods, beverages and services that we develop and produce. We aim to help employees make more informed decisions to achieve and maintain a healthy lifestyle, using [the Nestlé Framework for Employee Health](#).

To help us, we employ occupational health professionals, nutritionists and rehabilitation experts, and encourage site champions, HR staff and colleagues to support our wellness work. Our markets organise a wide variety of initiatives from counselling, smoking cessation, stress management and dependent care, to fitness centre affiliations and leisure activities. Some initiatives are designed to help tackle specific needs, including health screenings, such as cardiovascular and diabetes testing, vaccinations, HIV/AIDS prevention information, and care, and distribution of mosquito bed nets, to prevent malaria.

## Award-winning health and wellness programme, Greece

Nestlé Hellas received two awards during the Greek HR Awards 2015, for its NOIAZOMAI (I Care) health and wellness initiative and the *Purina* Pets@Work Initiative.

Nestlé Hellas currently has more than 170 participants in health-related programmes each month, with an increase of approximately 340% compared to last year. Initiatives include individualised ergonomic and physiotherapeutic intervention for treating work-related musculo-skeletal disorders in the office, mini-seminars on health-related topics, with follow-ups including free blood tests, and sports activities, such as a mini-basketball league, a running club that has more than 70 participants, gym classes and table tennis equipment in the head office.

The *Purina* Pets@Work Initiative was recognised in the Best Mental Health Resilience Initiative category, as it is designed to improve the health of employees by reducing stress and blood pressure, promoting a healthy work-life balance.

## Healthy workplaces in Portugal

Nestlé Portugal has been recognised with the Healthy Workplaces Award 2015 for its safety, health and wellness employee initiatives. Activities that were highlighted as part of the award included its Leadership in Safety & Health Programmes, VRM-associated with coaching practices, Wellness in Action, the framework Learn-Feel-Choose and the high-quality implementation of our Nestlé & I employee survey. The award was given by the Order of Portuguese Psychologists and the European Federation of Psychologists' Associations, in partnership with the European Agency for Safety and Health at Work, and the Portuguese Authorities for Working Conditions and Health.



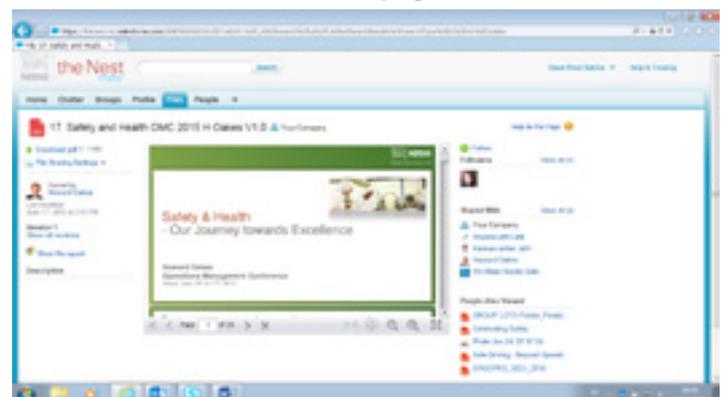
The award was received on behalf of Nestlé Portugal by Marta Henriques (Nestlé Portugal Safety & Health Manager) and Greg Scillipoti (Nestlé Portugal HR Director) during the annual Work and Organizational Psychology European conference.

## Strategic priority 4: management processes

### Communication and training

Communication and training are key enablers to building the capability of our people, and to winning hearts and minds. During 2015, we improved safety and health communications in many markets, to engage our employees and improve levels of understanding around our management processes. Methods include the use of webpages, the S&H corporate website, our 'Chatter' groups and 'Digests', which is a periodic email communication circulated to all markets containing a collection of the most recent safety and health publications on our corporate website. Sites also celebrate safety days/weeks and do road shows to engage employees on important topics. In addition, training is mandatory on topics such as management of high-hazard tasks, contractor management and behaviour-based feedback.

### We make Nestlé safe chatter page



## Safety by design and change control

The introduction of new equipment or processes, and the construction of new facilities, creates the potential for new risks but, at the same time, presents opportunities to reduce risk by building safety and health in at the design stage. Getting this process right is critical to effectively managing some of our most important safety and health challenges, e.g. machinery, ergonomics and process safety.

The Packaging function is responsible for establishing, maintaining and developing our filling and packaging Equipment Specification Standards. To ensure that safety and health are built in by design, this group issued machine specifications (including the safety and health requirements) for 14 groups for machines spanning product preparation, pack preparation, consumer units, retail units and ancillary equipment. This ensures that the machines are bought 'right first time' and we mitigate safety and health risks at the design stage itself. It is a significant step forward in our journey towards 'zero incidents' and we intend to build further on this initiative.

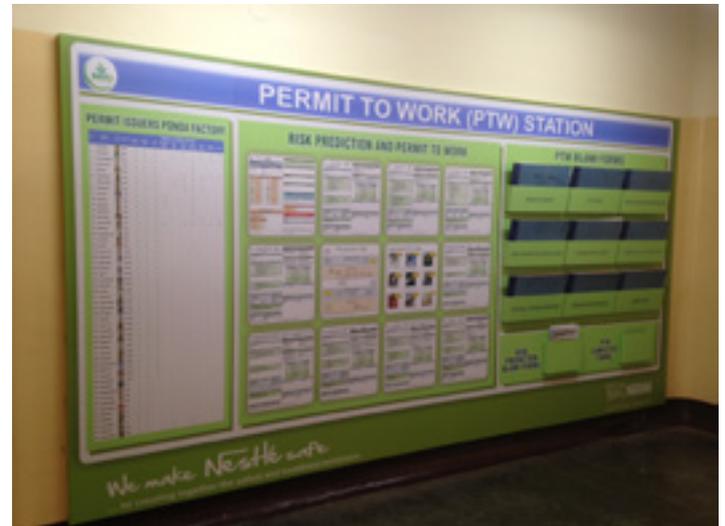
On the other hand, we also need to enhance our capability to identify and manage safety and health issues when we make smaller changes, e.g. when we modify equipment, processes and procedures, ingredients and components, organisations and personnel. We will, therefore, need to ensure our change control procedures are comprehensive and robust. For change control, considerable work was done in 2015. A task force comprising members from Manufacturing, Quality Assurance, Engineering and Safety and Health worked together to develop a new mandatory standard on the management of change. It requires a mandatory risk assessment and prior approval from all the functions in the task force before any change can be initiated. A new IT tool has also been created to facilitate easy implementation across all sites. The roll-out will be done in 2016.

## Permit-to-work

Permit-to-work (PTW) is one of the most important elements in management of our high hazard tasks. It provides a final opportunity for Nestlé to ensure that high-hazard tasks are carried out safely and is, therefore, particularly relevant to the management of fatality risks and contractor management. PTW can also be a powerful tool for developing safety and health competencies. Our units are encouraged to adopt a coaching approach to the issuing of PTWs, in which permit issuers help those doing the work to identify and assess risks and select appropriate controls.

In 2015, full compliance was required to the mandatory requirements, with a significantly enhanced approach to the management of high-hazard tasks which was first established in 2013. At that time, the criteria for PTW (including roles and responsibilities) were extended and clarified, and the process for managing work under a PTW more clearly specified. The role of PTW itself had also been clarified within the context of a new model for assessing and managing high-hazard jobs, and linked to the use of risk prediction. The new Standard and Guidance: Management of High Hazard Tasks is now mandatory

for all Nestlé-managed sites. It applies to work done on-site, both by Nestlé employees and contractors. We strongly believe that strengthening the management of high-hazard tasks at our sites is key to eliminating fatalities in the future.



## Audit

As we continue to evolve our safety and health management processes and improve our performance, we will also need to enhance our audit processes to ensure they are a positive driver for continuous improvement. The Nestlé Occupational Safety and Health Management System requires that all units undertake regular self-audits of compliance annually with legal and corporate requirements, and with local policies and procedures.

In addition, once every three years, an independent assessment by a calibrated assessor is required. During 2015, we further strengthened the functional compliance programme by adding checklists for safe driving and working at height, and expanding functional compliance process to the Supply Chain function. To enhance competencies at a local level, we have conducted functional compliance sessions to calibrate local assessors in Brazil, Turkey and the South Asia region (India, Bangladesh and Sri Lanka).

Our Nestlé Group Audit function complements this by carrying out compliance audits around the world and overseeing our risk management processes. We use commonly occurring Group Audit findings to prioritise improvement projects and training. In 2015, these findings related to:

- Working time;
- Incident investigation and reporting; and
- Management of high-hazard tasks.

## Safety and health commendation for Flowergate factory, Nigeria

Our Flowergate factory was awarded an official commendation in 2015, from the Occupational Health and Safety Unit of the Public Health Department in Nigeria. Part of the Ministry of Health in Ogun State, the unit inspects all factories in the state on an annual basis and promotes sustainable health and safety in all workplaces.

During the last visit to the Flowergate factory on 14 July 2015, remarkable achievements were noted by Government officials and the factory was commended on its high safety and health standards. Areas noted during the visit included the various programmes and projects implemented during the year, the general working conditions, the level of training and awareness of people, personal protective equipment compliance, the medical facilities on site and the level of emergency preparedness, especially during the Ebola outbreak.



On the left: Dr F.O. Adetonwa, Head of Occupational Health and Safety Unit in the Ministry of Health of Ogun State, Nigeria; on the right: Raphael Fischer, Safety, Health and Environmental Sustainability Manager of Nestlé Flowergate factory, Nigeria.

## Strategic priority 5: safety and health functional capability and leadership

### Safety and health functional capability

We are working to increase levels of personal ownership for safety and health across Nestlé. In the future, success for the Safety and Health function will be less about what it does, and more about what it trains and enables others to do. This success will require different ways of working and exceptional leadership skills in areas like influencing, coaching and change management.

We are raising the capability of the safety and health community to enable strong functional leadership. To enhance the functional capability of our safety and health managers, specific topics, such as machinery safety, ErgoPro were covered during the regional safety and health workshops by extending the duration of the workshops. A formal talent management process for safety and health professionals exists across the company.

## Key enablers

### Our safety and health indicators

As we continue on our journey towards 'zero', it is becoming clearer that focusing exclusively on lagging indicators will not be sufficient to drive desired behaviours and could, in some situations, drive the wrong behaviours. We, therefore, need to transition towards a more balanced approach that incorporates leading indicators that reflect our safety and health priorities, and focus our improvement targets on these indicators.

Therefore, we monitor our performance for both leading and lagging indicators for work-related injuries and illnesses.

We have a global set of leading indicators. Our global leading indicators include:

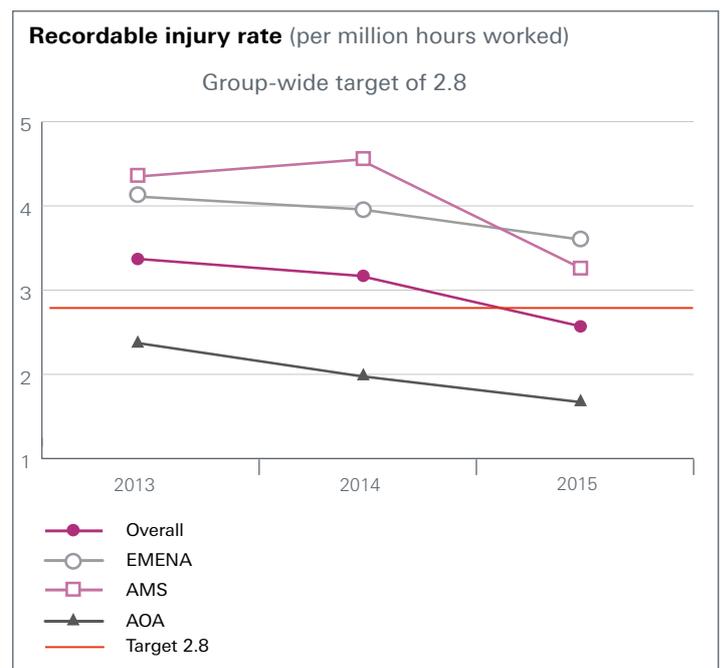
- Percentage of market management team members trained in safety and health leadership (2015: 66%);
- Number of behavioural feedback sessions per person (2015: 12); and
- Percentage of machine lines assessed (2015: 94%).

In addition, we encourage each market and local units to supplement the Group's leading indicators with additional ones that reflect their own local priorities.

Nestlé's performance against each indicator can be found [here](#).

### Injury rate performance

We continue to push for even higher standards of transparency in identification and reporting. We include all on-site contractors in our data for injuries and illnesses, regardless of the level of supervision by Nestlé. In 2015, our recordable injury rate improved its performance to 2.57. We witnessed a 17% improvement in lost day rate over last year.



**Lost day rate for injuries** (per million hours worked)

**Overall**



**EMENA**



**AMS**



**AOA**



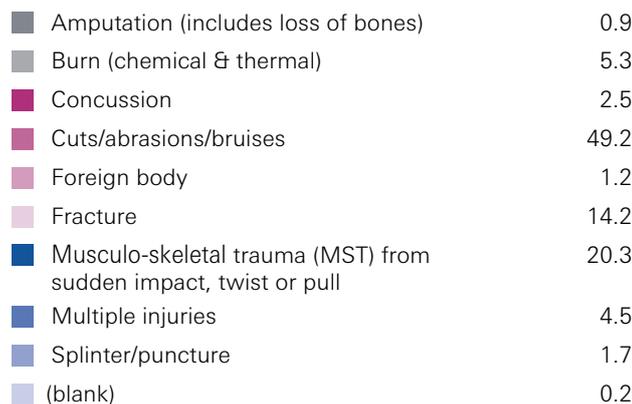
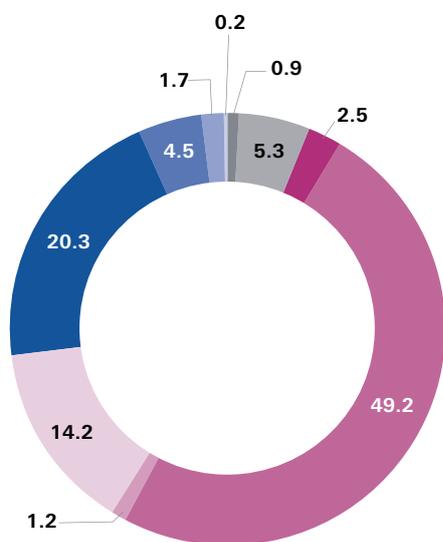
**Lost day rate for injuries per function**

(per million hours worked)



Includes joint ventures. Injuries and illnesses are classified and reported according to a global Nestlé standard, which is based on the US OSHA record-keeping standard.

**Recordable injuries by classification (%)**



**Fatalities**

Despite our tremendous efforts, we are saddened to report that in 2015 eight employees and two contractors lost their lives while at work at Nestlé.

Road traffic accidents while driving for official work remain a major cause of fatalities. Four of our employees lost their lives in road accidents. We are committed to improving this situation and it remains a focus area for us at a global level. This year, we have made a step change to address this important area by significantly enhancing our mandatory requirements for safer driving. More information can be found [here](#).

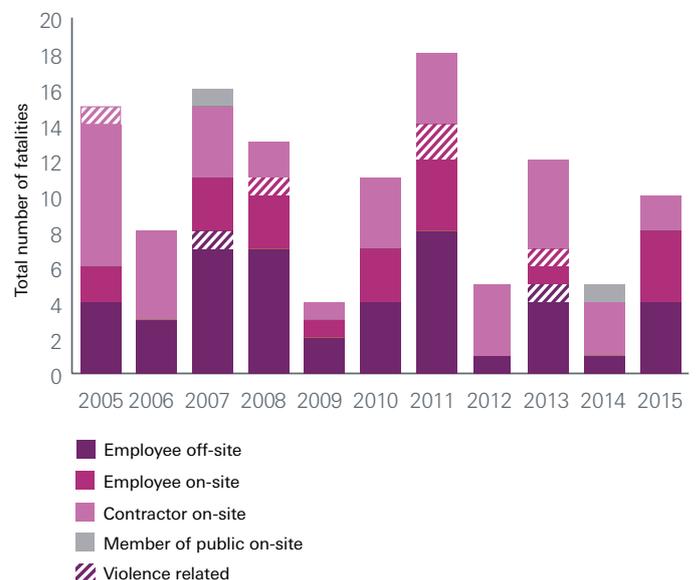
Two employees lost their lives while doing an intervention on machinery. We will continue to strengthen our machinery safety programme. More information can be found [here](#).

In 2015, two of our employees died in a fall of an elevator in an office building. One contractor, unfortunately, died due to failure of the structure of a sliding access gate that fell on the contractor while it was being operated. One contractor lost his life during an excavation activity at a construction site. To prevent future reoccurrences, we will continue to focus on our contractor management and management of high-hazard tasks. More information can be found [here](#).

We carry out a detailed investigation for every fatality, involving a cross-functional team and local senior management. The results are reviewed at a Group level to ensure that the whole company learns from the incident. As a result of the review, we regularly publish an internal global alert. This global alert contains key learnings, as well as guidance on actions to be undertaken by sites to prevent reoccurrence. It is widely circulated and published on our intranet site for easy access and reference.

We remain committed to achieving our goal of zero work-related injuries and illnesses, despite the size of our company or the scope of our operations.

**Externally reported fatalities by victim status (2005 – 2015)**



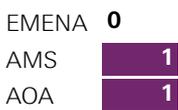
**Total number of fatalities of employees, on-site contractors and members of the public by region**



**Number of employee fatalities (on-site and off-site) by region**



**Number of on-site contractor fatalities by region**



Externally reported fatalities by victim status (2005 – 2015).

Any unit or team that wants to start NCE advanced practices must first demonstrate it has successfully implemented the NCE foundations. This is done via a formal verification process, known as the NCE Gate. The gate process considers a range of safety and health activities and includes formal audit of functional compliance against key global [safety and health standards](#).

When factories pass the NCE Gate, they typically start to implement Total Performance Management (TPM). The purpose of TPM is to improve equipment reliability and process capability, thereby contributing to higher quality, more competitive costs, shorter lead times, and fewer injuries and illnesses. TPM achieves this primarily through building competency and autonomy at the manufacturing line level, and introducing structured management routines. These changes are key drivers of safety and health performance in manufacturing, and fully aligned with our long-term strategy for achieving sustainable safety and health excellence.

**Nestlé Continuous Excellence Tools and Methodologies**

Nestlé Continuous Excellence (NCE) is a global change programme, based on lean thinking. It is illustrated below.



All three of the NCE Foundation modules (i.e. Compliance, Leadership Development, and Goal Alignment) are key enablers for improving our safety and health performance. Increasingly we seek to leverage this change programme – and to simplify our operating model – by integrating safety and health and NCE activities into a single common way of working. For example, through the Goal Alignment module – which is designed to align and engage everybody to deliver our business objectives – we ensure that safety and health is integrated into the Plan-Do-Check-Act cycle used by teams across the business.

## Labour relations

Nestlé has built a culture based on the values of trust, mutual respect and dialogue. Our management and employees work daily to develop and maintain positive individual and collective relationships. We expect them to do so, as a core part of their job. We see good labour relations as imperative to our growth. As a large global business, we operate in a wide range of countries, each with their own laws, rules and culture. It can sometimes prove challenging when developing positive labour relations. It is inevitable that some disputes will occur. We proactively seek to prevent labour disputes through open dialogue, training and local and regional initiatives. For more information on labour relations and human rights, please also see [Human rights and compliance](#).

### Our workforce

We treat our people fairly and with respect, providing them with good labour conditions. Our Policy on Conditions of Work and Employment sets goals and minimum requirements for work arrangements and conditions in all the countries where we operate. It has been developed in line with the ILO Core Conventions, and the OECD Guidelines for Multinational Enterprises.

Despite our best efforts, it is difficult to ensure that all of our people work under the same conditions. The challenges we face are varied, and include local disparities in employment legislation that differs from our preferred conditions and international standards. This can include a lack of local legislation on working conditions. Our [Employee Relations Policy](#) requires strict compliance with the law, but it also guides our actions where local legislation is more lenient or if there is no applicable law.

### The Nestlé Employee Relations community

We maintain a network of more than 60 professionals around the world, comprising our global Employee Relations (ER) community. The role of these experts has evolved significantly and they are now responsible for labour relations and the implementation of the Policy on Conditions of Work and Employment. They also champion the Nestlé Management and Leadership Principles and the Nestlé *Corporate Business Principles*, among other areas directly affecting employee trust and engagement.

In March 2015, we held our first global ER training course, a pilot designed to reinforce the need to earn and maintain trust within Nestlé and with external organisations. The week-long course brought together 52 members of the ER community, including ER professionals, HR business partners and HR managers. Sessions covered the whole ER spectrum with keynotes from Nestlé executives, thought-provoking insights and new learnings from external global organisations. Presentations were made by representatives of the International Organisation of Employers, the International Union of Food Workers (IUF) and the United Nations High Commissioner for Human Rights. Training activities were held around conflict and crises management, and influencing and negotiation. The pilot was successful and very well received by participants. The course has become part of our core curricula, with the next one scheduled for 2016.

### Rate of new employee hires (%)

Group	2013	2014	2015
Total rate of new employee hires	10.7	10.3	11.1
EMENA*	n/a	29	29
AMS*	n/a	44	43
AOA*	n/a	27	29

Covers Nestlé employees registered in the HR system (approximately 84% of all employees).  
\* Excludes temporary employees.

### New employee hires in 2015 by age and gender

New hires\* **60 965**

Group	Percentage
<30	58
30–50	36
>50	6
Women	40
Men	60

\* Includes temporary employees.

#### Total workforce

2015	<b>335 213</b>
2014	339 456
2013	333 214

Does not include joint ventures. Headcount definition is following international accounting standards (IFRS).

#### Total workforce by region (2015)

EMENA	<b>106 173</b>
AMS	<b>105 409</b>
AOA	<b>70 006</b>

### Rate of employee turnover by region (%)

Group	2013	2014	2015
Total rate of employee turnover	11.1	11.7	<b>12.5</b>
EMENA	8.3	10	<b>11.2</b>
AMS	13.5	14	<b>14.2</b>
AOA	11.1	10	<b>11.6</b>

Covers Nestlé employees registered in the HR system (approximately 84% of all employees).

## Working conditions

Nestlé promotes the continuous improvement of our working conditions. It is our goal that no one working at Nestlé should be subject to differences in conditions as a result of their employment status. We have developed and introduced Working Conditions Action Plans with our markets. The plans support compliance with our Policy on Conditions of Work and Employment and, to date, 66% of our markets have fully implemented them. This calculation is based on 106 countries, with Nestlé in the United States counted as four separate entities (Nestlé USA, *Nespresso*, Nestlé Waters and Purina). By the end of 2016, we expect an implementation of more than 90%.

While we favour permanent employees for core activities, we also use temporary employees to meet the short-term needs of the business. When we outsource work to service providers, our Policy on Conditions of Work and Employment and [Supplier Code](#) clearly set out the minimum standards relating to [labour standards](#) (such as working hours and wages) and the safety and health of employees, which we expect all of our service providers to meet.

### Limiting working time

We monitor the working time of our employees according to local law, addressing issues as they arise. Since 2012, we are seeking to limit working time to a maximum of 60 hours a week across our operations including overtime. More than 85% of our markets have implemented the 60-hour weekly schedule (in 25 of those markets it is a legal requirement) and we use commonly occurring Group Audit findings to prioritise improvement projects and training.

### Minimum notice period

Before making operational changes that could substantially affect our employees, we provide a period of notice outlining the proposed changes. While a minimum period and provisions for consultation and negotiation are specified in collective agreements in 28 countries, in others, it depends on local laws. On average, the period is 38 days.

### Total Rewards Policy

As an Employer of Choice, Nestlé wishes to provide comprehensive and competitive employee rewards. Our global Total Rewards Policy outlines the employment package we provide for employees. It broadly covers:

- Fixed pay;
- Variable pay;

- Employee benefits;
- Personal growth and development; and
- Work–life environment.

The principles outlined in the policy provide the common framework within which individual markets can create competitive local programmes that meet business needs and comply with local legislation. The approach is designed to attract, retain and engage talented employees.

To support our policy, line managers and HR professionals use an online Total Rewards Learning Centre when dealing with performance and rewards (including compensation and benefits). This was supplemented in 2015 by new Total Rewards training for HR business partners, enabling them to assist line managers more effectively on reward topics.

In 2014, we launched a Total Rewards toolkit portal, designed to help local business operations ensure their rewards programme is competitive, compelling, cost effective and well understood. This on-demand solution is being reinforced in Europe, the Middle East and North Africa, where countries will be required to use the toolkit as a mandatory element in developing their annual People Plans.

### Delivering a living wage

We recognise that in some countries, the legal minimum wage levels do not fulfil the basic needs of a worker. As stated in our policies, Nestlé commits to verify periodically that our lowest level of salaries (and benefits) comply with local laws and importantly that they are competitive, allowing employees to cover their needs according to local standards of living.

Back in 2013, we started a programme with [Business for Social Responsibility \(BSR\)](#), to identify gaps in how the living wage is treated across our operations. It seeks to:

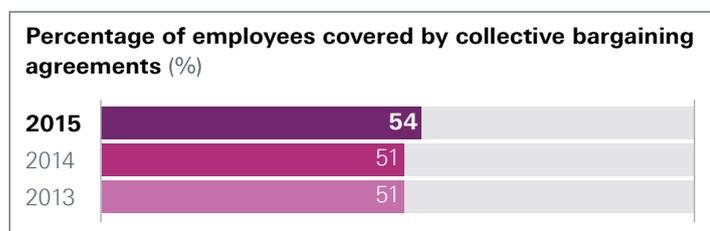
- Establish and validate the living wage rates (gross per annum in local currency);
- Identify all Nestlé regular and temporary employees (directly hired) with salaries below these rates; and
- Establish appropriate action plans to adjust remuneration.

The results of six pilots in 2013 demonstrated that some living wage gaps existed and we implemented corrective actions. For the wave 1 roll-out in 2014, 29 countries were covered. In 2015, we expanded the programme to 38 additional countries for the wave 2 roll-out across the countries where Nestlé operates. By the end of 2015, the company's living wage analysis had been completed in a total of 73 countries (between the launch of the programme in 2013, and the wave 2 roll out in 2015). The five countries where some employees have been identified with remuneration below the established living wage rates during the 2015 roll-out exercise will have the employees' remuneration adjusted by 1 April 2016. The roll-out will be completed in all countries where we operate by the end of 2016.

## Collective bargaining and freedom of association

We support the freedom of association of our employees and the effective recognition of the right to collective bargaining. We operate in some countries where these rights are not upheld. Despite the inherent difficulties and the limits of local laws, Nestlé respects, at all times and in all places, the right of employees to meaningful and constructive dialogue over issues that relate to working conditions and the workplace environment. Our people and employee representatives are expected to make all necessary efforts to develop fair and constructive negotiations, overcome the difficulties that they might encounter, reach sustainable agreements and implement them.

In 2015, around 54% of our employees worldwide were covered by collective bargaining agreements.



### Fostering positive relations with trade unions

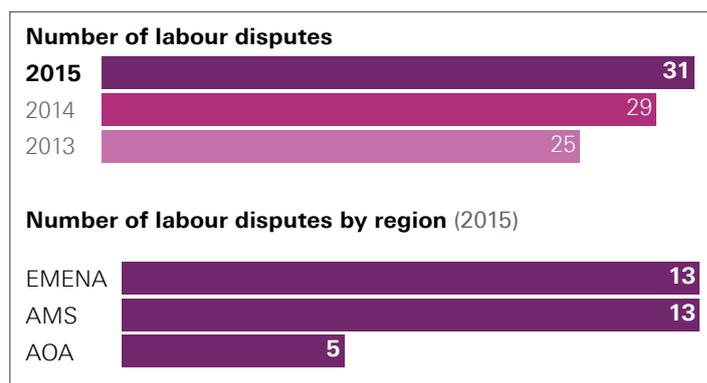
We ensure that direct and frequent communication is established in the workplace and we respect the right of our employees to engage in union activities.

We continuously seek areas of dialogue, discussion and mutual understanding at all levels of our operations. This includes communities and authorities, as well as local and international stakeholders representing employees and unions, such as the [IUF](#) and the Nestlé European Council for Information and Consultation (NECIC). In doing so, we enrich our knowledge of social realities, we share our vision and efforts for sustainable growth and we constantly aim to find opportunities to improve our practices.

At a local level, we seek a sustained dialogue with external experts, such as the local ILO office, OECD National Contact Point, employer organisations and business associations, to be informed about relevant market trends and exchange views on labour issues.

It is inevitable that some disputes will occur but, through our policies, principles and values, we seek to ensure that these are settled openly and transparently. In 2015, 31 industrial actions took place around the world. The average percentage of working time lost due to labour disputes, strikes and/or lock-outs was 0.024%.

We continue to work closely with the IUF, developing a more open relationship and a willingness to work together to tackle labour-related issues around the world. The relationship is based around Joint Operating Principles and bi-annual meetings that take place between the leadership teams, as well as trade union representatives. The relationship is supported by two working groups that focus on gender equality for non-managerial employees and working conditions. Both groups have analysed data from different markets and we are currently analysing the way forward.



### Working time lost due to industrial disputes, strikes and/or lock-outs (%)

Group	2013	2014	2015
Total working time lost	0.004	0.016	<b>0.024</b>
EMENA*	n/a	0.01	<b>0.0038</b>
AMS*	n/a	0.04	<b>0.056</b>
AOA*	n/a	0.001	<b>0.0089</b>

Covers 314 366 Nestlé employees.

\* Excludes temporary employees.

## Zero tolerance for discrimination

Nestlé respects the personal dignity, privacy and rights of every employee. We are committed to maintaining a workplace free from discrimination and harassment. Our Human Resources Policy and our [Code of Business Conduct](#) state that employees must not discriminate on the basis of origin, nationality, religion, race, gender, age or sexual orientation, or engage in any kind of verbal or physical harassment based on any of the above or any other reason. It is each employee's responsibility to ensure full compliance with all provisions of our policy and code and to seek guidance where necessary from their line manager, or from the HR, Legal or Compliance functions. Failure to comply may result in disciplinary action, including the possibility of dismissal and, if warranted, legal proceedings or criminal sanctions.

Employees who feel that their workplace does not comply with the above principles are encouraged to raise their concerns with the HR department. In 2015, 139 alleged incidents of discrimination in our operations were reported.

### Update on the legal action by a Colombian trade union

In our 2012 report, we reported that a Colombian trade union, represented by the European Center for Constitutional and Human Rights (ECCHR), was taking legal action in Switzerland against Nestlé, linking us with the murder of a former employee.

In May 2013, the Attorney-General of the Canton of Vaud in Switzerland decided not to proceed in the case against Nestlé. The plaintiffs appealed this decision in the Court of Appeal of the Canton of Vaud, which in December 2013 rejected the case. The plaintiffs subsequently appealed to the Swiss Federal Supreme Court, which in July 2014 also rejected the case.

In May 2015, the European Court of Human Rights confirmed the decision of the Swiss judicial system by dismissing the complaint filed against Switzerland by the ECCHR. The ECCHR had submitted this complaint on behalf of Mr Luciano Romero's widow in January 2015.

Nestlé condemns all forms of violence and we emphatically reject the accusations made by the plaintiffs, which are contrary to the facts. We have no responsibility whatsoever, directly or indirectly, neither by action nor omission for the murder of Luciano Romero.

### Status of alleged incidents of discrimination in 2015

- Incidents reviewed: 50;
- Remediation plan implemented and results reviewed through internal management processes: 4;
- Incident no longer subject to action (i.e. resolved, case completed, no further action by company, etc.) 75; and
- Remediation plan being implemented: 10.

Covers 314336 Nestlé employees.

### Grievances about labour practices

In 2015, there were 300 grievances about labour practices filed through the Nestlé Integrity Reporting System during the reporting period. Of the substantiated and unsubstantiated cases received, 242 (81%) were closed, of which 48 (16%) grievances were substantiated and corrective action implemented.

## Diversity

Diversity has only just reached the top of most corporate agendas but at Nestlé, it's been the foundation of what we do for years. Strong, multicultural diversity has shaped our success and culture. We work hard to integrate in every community to which we belong and we place the highest value on the unique perspectives that our people bring us. We believe we have a social responsibility to promote diversity, but equally we know it sharpens our performance and gives us an advantage over our competitors. Gender balance has been a priority since 2008 as there was an immediate need in this specific area. Even if progress is well under way, gender balance continues to be a priority for the Group and we will now expand our diversity journey into additional focus areas.

### Enhancing diversity in our workforce

We aim to provide a workplace culture that generates equal opportunities for everyone, where people are treated with dignity and respect. We are expanding our efforts to strengthen this inclusive culture. It is helping us leverage the unique skills, knowledge and experiences of our diverse workforce.

Our talent pool should reflect the societies in which we operate. Gender remains a key priority for Nestlé and we want to embed it in our diversity journey. Beyond gender, markets are already embedding other diversity aspects, including disability, generations and ethnicity, following local and legal practices and needs.

#### The *Garoto* Disability Programme

*Garoto*, owned by Nestlé, is one of Brazil's largest chocolate manufacturers. Currently, some 8% of *Garoto's* employees have disabilities, well above the 5% quota set out in Brazilian law. Their Disability Programme provides a range of support options, which includes video sign language translations of internal newsletters, hearing devices and adapted documents for employees with impaired hearing.

Training for all staff on disability issues is an integral part of the programme such as training in sign language to facilitate communication with hearing-impaired staff; already, about 3800 hours of training have been delivered to employees since 2013. As a result, employees with disabilities have received promotions to new positions and the opportunity to demonstrate their creativity and productivity. It has led to a more inclusive and efficient workforce throughout the business.

#### Cultural Buddy Programme helps *Purina* retain talent

Our research shows that people from minority groups are twice as likely to leave a company within their first year. To help address this issue, *Purina*, as part of its Diversity and Inclusion strategy, created a Cultural Buddy Programme in St Louis, USA, to connect new recruits to current associates with similar ethnic backgrounds and relevant resources, throughout their first three months. This support system helps associates make the transition smoothly into *Purina* and the greater St. Louis community, ensuring we retain a diverse workforce. In the future, we will also develop a Virtual Buddy Programme for factories and field sales associates.

#### Building a pipeline of diverse talent in the United States

In the United States, our Diversity and Inclusion Team is working with Campus Recruiting to build a diverse talent base of future leaders. By partnering with universities known for encouraging diversity, and reaching out via social media, we invite talented students from a wide range of backgrounds to attend one of two annual events: our Marketing Brand Boot Camp for MBA students, or our Diversity Leadership Symposium for undergraduates.

These three- or four-day workshops enable students to gain an insight into life at Nestlé, discover our core marketing principles, take part in exercises based on real scenarios, and explore their own leadership strengths and areas for development. On the final day of both events, students are interviewed for an internship or full-time position.

Building on the success of these events, the teams are working with other Nestlé operating companies in the United States to share experiences and extend our diversity recruitment strategy throughout the business.

## Promoting inclusivity for all at Nestlé France



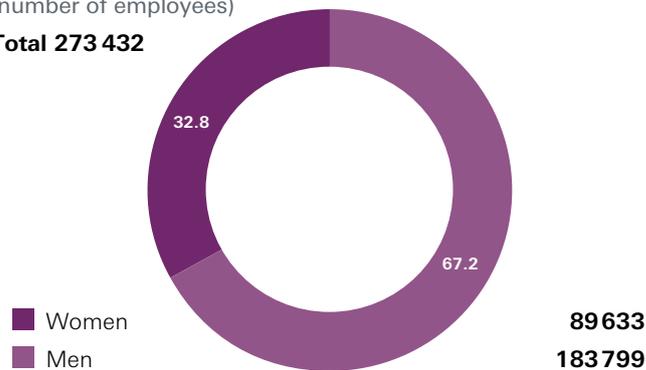
We believe that people with disabilities have different skills and talents that can also enhance our business. In 2011, Valérie Romain was appointed Disability Champion in Nestlé France. After signing a Group disability agreement in 2013, the Mission Disability Department was made responsible for ensuring the agreement is visible throughout Nestlé France every day. It is developing an inclusivity policy for all Nestlé France businesses and raising awareness of the value disabled people bring to the business. The department also supports those employees with disabilities, finding ways to improve their working environment.

It places a great deal of emphasis on job retention, helping those who become disabled during their career to keep their positions, by making the relevant adaptations to their working environment and, where necessary, providing training for everyone affected. To date, more than 240 people have received improved conditions, among the population of 811 disabled people. Another important component of our strategy that is helping us to make a difference is the prevention of disabilities, where we ensure that our employees are well trained and we also continue making improvements to the 26 factories across France.

### Full-time employees by gender 2015

(number of employees)

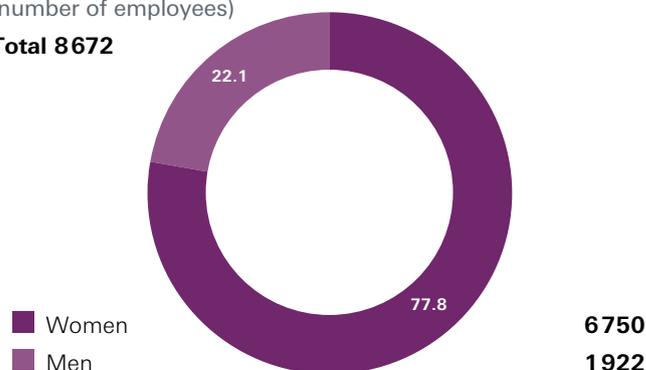
**Total 273 432**



### Number of part-time employees by gender 2015

(number of employees)

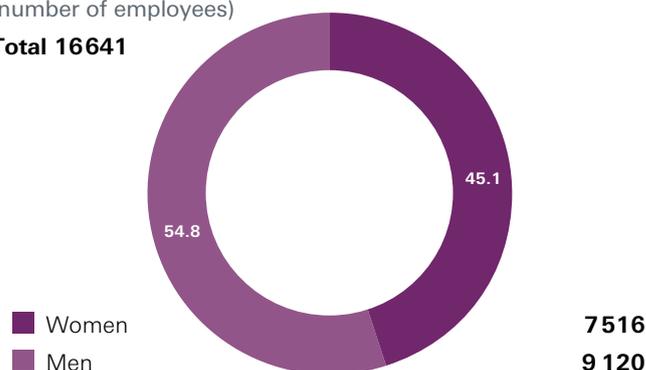
**Total 8 672**



### Number of temporary employees by gender 2015

(number of employees)

**Total 16 641**



Covers Nestlé employees registered in the HR system (approximately 84% of all employees).

### Total employees by age group 2015

Group	Number of employees	Percentage
<30	67 443	24
30–50	160 370	57
>50	53 748	19

Covers Nestlé employees registered in the HR system (approximately 84% of all employees).

### Total workforce by gender 2015 (number of employees)



### Total workforce by region and gender 2015

(number of employees)

#### EMENA



#### AMS



#### AOA



### Percentage of employees by age group and gender 2015

#### Women

Group	Percentage
<30	25.5
30–50	56.3
>50	18.2

#### Men

Group	Percentage
<30	23.1
30–50	57.3
>50	19.6

### Part-time employees by age group 2015

Group	Number of employees	Percentage
<30	1 764	20.3
30–50	4 601	53.1
>50	2 307	26.6

### Temporary employees by age group 2015

Group	Number of employees	Percentage
<30	10 601	64
30–50	4 957	30
>50	1 080	6

### Number of disabled employees



Due to privacy regulations and the sensitive nature of this KPI, this number only reflects those countries that were able to report it.

## Our Gender Balance Initiative

### Our commitment



Enhance gender balance in our workforce

### Our objective

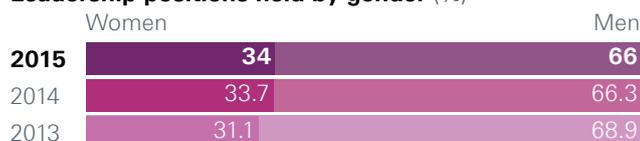
- By 2018 – Be a gender-balanced company by creating the enabling conditions in our work environment to achieve annual increases in the percentage of women managers and senior leaders (market management members and key roles at the Centre).

### Senior leadership positions held by gender (%)



Covers Nestlé employees registered in the HR system (approximately 84% of all employees).

### Leadership positions held by gender (%)



We recognise that gender balance strengthens our business and achieving it is a priority. Our Gender Balance Initiative is making improvements at all levels, with a key focus on senior leaders and managers. The initiative is designed to facilitate a natural gender balance throughout our organisation. Merit and competencies remain the basis for promotion.

We have the necessary mechanisms in place to track, monitor and improve gender balance. Progress is achieved using a rigorous succession-planning process, clear development plans and the roll-out of unconscious bias training for our leaders.

We have implemented a number of programmes to support our commitment, including:

- Unconscious bias training;
- Parental support initiatives and flexible work arrangements;
- Mentoring and coaching;
- Dual-career support;
- Gender awareness;
- Women networks; and
- Gender balance business sponsors.

Through these activities, we work to increase the number of women identified as potential successors for top-level positions and, in 2015, 34% of our leadership positions were held by women. To help our markets with local improvement efforts, we use our Gender Balance scorecard to track progress against resourcing, promotion, succession and retention. It also provides tips to help deliver behavioural change. To encourage alignment, we operate an intranet page that shares the latest initiatives, key documents and figures, policies and materials for training or communications.

[Read more](#) about how Nestlé is supporting [women's rights in wider society](#).

### Leadership positions by age and gender 2015

	Total managers	Women (%)	Men (%)
<30	3 596	46	54
30–50	31 984	36	64
>50	9 563	22	78

Covers Nestlé employees registered in the HR system (approximately 84% of all employees).

### Weighted comparative salary ratio average by gender

	Headcount	Women (%)	Men (%)
2015	190 191	95	98
2014	177 013	94	96
2013	67 369	91	94

Excludes temporary employees.



Nestlé builds success and our culture on strong diversity. We will accelerate gender balance. Women represent 80% of our consumer spending decisions. 60% of graduates in the EU and the United States are women. Improving gender balance will enrich our leadership and improve consumer understanding.”

**Paul Bulcke, Chief Executive Officer, Nestlé**

### Empowering women in business, Mexico



In Mexico, we are building our capability and helping provide opportunities for local women through the project *Mi Dulce Negocio*. It aims to help inspire and encourage more women in the workplace, by offering knowledge and practical experience about food, nutrition and healthy eating habits, as well as food preparation for selling. During 2014 and 2015, around 15000 women received the training. Next steps include a pilot to support women in the formal establishment of a catering business.

### Bringing more women into our factories, Chile



Nestlé Chile found that employing additional women at the Graneros dairy factory reduced the site's high absenteeism rate. In 2013, when almost 80 employees were absent in one day, the HR Team led a contributor analysis to identify potential root causes. They attributed the reason to a 'lack of commitment', but also discovered gender differences, where women presented fewer absences and delays than men. The team decided to test the findings, to see whether hiring extra women into the factory would have a positive effect on absenteeism.

The HR Team defined a special recruitment campaign targeting women that took place through employee referrals and an external job posting. At the same time, the factory improved working conditions with new toilets and dressing facilities.

The positions were filled by women who had not worked before, or who had worked in fruit packing but wanted better work conditions. As a result, total annual absenteeism has decreased by 22.6%, the production quality has remained stable and the number of women on the production lines has increased from 121 to 217, with a positive local impact.

## Unconscious bias training

In 2015, we continued the global roll-out of our unconscious bias training through a network of more than 80 trainers. The activities are designed to promote more inclusive communication between women and men to improve performance.

Line managers and senior managers attend a three-hour interactive and experimental session that uses participative exercises, case studies and videos. The structured learning outlines visual blind spots, the ladder of inference to understand unconscious bias, and cultural gender differences.

Our leaders can use the outcomes to develop a personal and team action plan that will improve talent management outcomes for men and women in the workplace.

By the end of 2015, a total of 3058 employees across our business<sup>4</sup> had received the training since it began in 2014. Our markets in the Middle East, India and the Nordics have already embedded unconscious bias training into their leadership training. Since the end of 2014, unconscious bias has also been embedded in several central programmes, such as Leadership, Marketing and Sales, Finance, R&D and Technology Management.



One of the main challenges we have in diversity is to recognise our own bias. It is clear that most of them are unconscious, so the inclusion of an unconscious bias course in our training curriculum is fundamental to understand what it means and what we can do to avoid wrong decision-making.”

**Gilberto Rigolon, Head of T&D Talent Acquisition, Nestlé Brazil**



In all my 16 courses, I have delivered unconscious bias sessions to young Nestlé executives and to the ManCom of some of our markets (Portugal, Sweden and Uzbekistan) as well. The reception was amazing, here are a couple of comments from participants:

‘I know I have a lot of unconscious bias, but I didn't know how to avoid the negative effect of that. In this session, I feel relieved and decided to practise those counter actions repeatedly.’

‘This training was an eye-opener for me and I would like it to be done for all employees in all markets.’”

**Guy Bellenot, International Training Manager for Rive-Reine**

<sup>4</sup> This is a cumulative figure, representing the total number of employees who have received unconscious bias training since the programme began in 2014.

## Parental support initiatives

We are committed to enhancing the quality of people's lives and helping families improve their nutrition, health and wellness. We know the first 1000 days of life, between the start of pregnancy and a child's second birthday, offers a unique window of opportunity to shape healthier and more prosperous futures. During this formative period, infants (including those of our own employees) require appropriate nutrition, stimulation and a caring setting to develop to their full potential.

In June 2015, Nestlé launched a new global [Maternity Protection Policy](#) for all of our people. It is based on the [ILO Maternity Protection Convention](#), and establishes minimum standards that must be implemented at Nestlé workplaces across the world by 2018. It has been well received and is estimated to be one of the most progressive programmes of its kind in the industry.

The policy is applicable to all primary caregivers of newborns, including male employees and adoptive parents. It includes 14 weeks' paid maternity leave, which can be extended up to six months (with leave beyond 14 weeks remunerated in accordance with local legislation and/or practices), employment protection, [flexible working arrangements](#) and guaranteed access to breastfeeding rooms during working hours in head offices and sites with more than 50 female employees. We currently have more than 275 breastfeeding rooms across our global working facilities.

### Strengthening support for working parents in the United States

As a founding member of the [Working Parent Support Coalition](#), Nestlé USA has announced it will conduct internal analysis to understand the impact of our new global Maternity Protection Policy on female employee retention. Sites across the United States will track the retention rates of female employees and the number of female employees who take advantage of the new maternity policy. The information will be shared with members of the coalition and used to help assess the impact of maternity leave policies in improving gender balance in the workplace.



We recently announced a new global Maternity Protection Policy because we believe all of our new parents deserve more. With industry leaders, we're taking another step in the right direction by committing to evaluate and share the impact of our new maternity leave policy on employees in the United States. Our goal is to use this information to contribute to the ongoing dialogue around maternity leave policies so we all can continue to improve."

**Paul Bakus, President – Corporate Affairs, Nestlé USA**

### Total number of employees who were entitled to parental leave, by gender

2015



2014

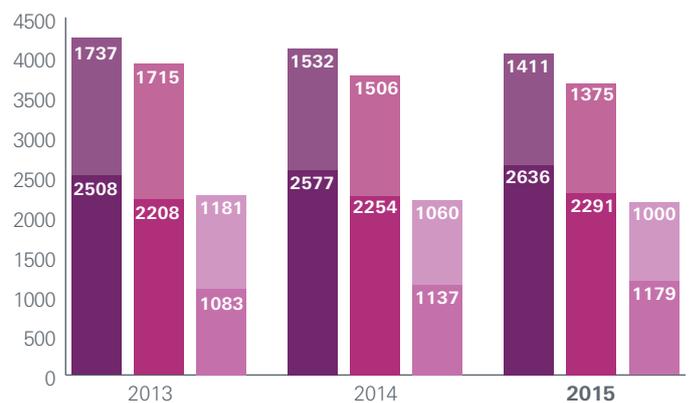


2013



Covers Nestlé employees (excluding temporaries) registered in the HR system (approximately 84% of all employees).

### Breakdown of employees who took parental leave, by gender



- Total number of employees who took parental leave. Women Men
- Total number of employees who returned to work after parental leave ended. Women Men
- Total number of employees who returned to work after parental leave ended who were still employed 12 months after their return to work. Women Men

Covers Nestlé employees registered in the HR system (approximately 84% of all employees).

### Return-to-work and retention rates (%)

2015



2014



2013



Covers Nestlé employees (excluding temporaries) registered in the HR system (approximately 84% of all employees).

## Gender Balance business sponsors

To embed our Gender Balance Initiative, each market and business has identified a local business sponsor. Working with the local steering committee, which sets priorities and tracks progress each quarter, the business sponsor helps overcome local challenges and shares learnings with other sponsors. Improvements are linked to an Operational Master Plan, which is developed at the market level. Achievements and progress are shared with other markets by web conference three or four times a year.

### Thoughts from our Gender Balance business sponsors



Managing the coffee business in Greece in times of severe crisis, I have come to realise that business success is relying more than ever on the quality and motivation of our people. In this context, I feel proud, as a GBBS that in the last three years, our company has managed to increase the female talent pool to 50%, as well as achieving more than 40% female successors in key positions. I have no doubt that these have contributed to the resilience that Nestlé Greece has demonstrated in the hard times of crisis in comparison to the rest of our competitors. Moreover, my sponsor role reminds me constantly that a major duty of a leader is how to ensure and manage the maximum diversity in their teams, as this is a unique source of competitive advantage."

**Ilias Papadopoulos, Business Executive  
Manager, Nestlé Hellas**



The journey of Nestlé Middle East to enhance gender balance has been both enriching and rewarding. As the GBBS, I am happy and proud to see the tangible results and significant actions taken at a market level. We have witnessed increased awareness, a mindset shift, and an increased maturity level across the organisation, all leading to stronger complementarity among team members. The percentage of women among total managerial positions held in the Middle East has gone up from 16% in 2011 to 23% at the end of 2014. In addition, today, four women hold senior positions in top management."

**George Badaro, Business Executive Manager,  
Nestlé Middle East FZE**



Inclusion and gender balance promote complementary thinking, which definitely impacts in good decision-making. Most of all, we are part of a Nutrition, Health and Wellness company, where more than 60% of food decisions at the point-of-sale are made by women. If we recognise that gender balance is not exclusively a women's issue, our real challenge is to demonstrate ourselves that the entire organisation benefits when its workforce is more diverse and when we are aware that women and men face different challenges in career advancement. So if we create the appropriate conditions and increase gender balance in organisations, it will improve the quality of life at the workplace for everyone."

**Susana Del Castillo, Consumer Services  
Manager, Nestlé Peru**

## Networks

A key component of ensuring a sustainable gender balance within an organisation is creating solid links between women. Nestlé encourages the work of professional groups and committees within its companies that can collect shared experiences and develop female business leaders.

In Germany, for the past six years, we have participated in the annual CrossMentoring project, to help more women move into leadership positions. Around five women are nominated each year and supported in their professional and personal development with access to an experienced mentor, who is a leader from another company such as SEB, University Hospital Frankfurt, Deutsche Bahn or Deutsche Börse. Costing us around EUR 3000 (CHF 3609) per mentee, the programme has succeeded in helping women move into a first leadership role or in taking the next step on the leadership ladder. We are reviewing ways to increase the impact of the mentoring project internally, for example by inviting each woman who has been through the programme to become a mentor for a more junior female within our organisation.

In 2014, Nestlé Pakistan launched *Kero Aitemaad* (Believe in Yourself). The initiative is aimed at challenging stereotypes, and listening to and tackling the fears of women who want to return to work. The programme is delivered exclusively by female employees at different levels of seniority. *Kero Aitemaad* gives support to women on how to navigate their professional lives. Through real-life case studies, they receive tips and guidance on how Nestlé Pakistan can support them. In 2014, Nestlé Pakistan also introduced the Nestlé Female Alumni Network, an initiative to help and inspire former employees and promote job opportunities. Today, the network has 60 members, who remain in touch through the platform.

In Switzerland during 2014, the Senior Women at Nestlé Group was created. It is a movement with a strong commitment to help accelerate Nestlé’s journey to becoming a gender-balanced company by 2018. Together, the group seeks to:

- Be role models to upcoming talent;
- Participate in high-profile projects, ensuring diversity and complementarity of thinking within the team; and
- Ensure Nestlé is recognised as an employer of choice for men and women in external speaking engagements.

## Celebrating International Women’s Day 2015

International Women’s Day represents an opportunity to celebrate the achievements of women, while calling for greater equality. At Nestlé, events took place to mark the occasion across our business, including social media posts that were published to more than 1 million followers. Our employee chat room received more than 145 posts, with topics covering managing work–life balance, key elements of success and critical competencies, unconscious bias, leadership style, mobility, mentoring, personal branding and career learning experiences.



It takes dedication and focus, but it also takes top-level managers to acknowledge their bias and see the great potential in a candidate with different leadership and communication styles.”

**Employee post: Mikala Larsen, Management Development Manager**



BE WOMEN. By this, I mean embracing our female traits and leveraging those as strengths rather than trying to mask them to be successful in a ‘man’s world’. Studies show these ‘traditionally feminine’ traits are what is missing in much business leadership today.”

**Vanessa Blewitt, Learning Effectiveness Lead**

At Nestlé Professional, an internal video was produced celebrating the important contribution that women are making to the business across the Sales function.



Nestlé Pakistan, in collaboration with Aurat Foundation, organised a platform event where inspiring and successful women shared their stories with others. The theme for the event was ‘Making it happen: inspirational stories of Pakistani women turning the tide’.

Nestlé Philippines continued to run its Women Movers Awards, an initiative to raise awareness of the contribution women make to its business. In 2015, 52 nominees were received across all sites and factories. Senator Pia Cayetano was invited as a guest speaker at an awards ceremony held at the Nestlé Philippines head office. A champion of women’s rights, health and education, and the youngest woman ever to be elected to the Philippine Senate, Senator Pia shared her own inspiring story with our employees.



## Developing people

We seek to provide each of our employees with opportunities to grow, evolve and contribute. We champion the idea of life-long learning, believing that fulfilled employees create satisfied consumers. The international nature of our business is a major attraction for employees and we offer opportunities to work in different locations, including short-term projects, long-term expatriation and local transfers. Our learning solutions are delivered to meet the specific needs of employee groups, from e-learning tools to face-to-face tutorials, workshop sessions, local posters, and activities and information employees can take home to their families. During the past year, Nestlé has increased training per employee from 28.8 hours to 31.6 hours per year.

### Developing our capabilities

Learning is part of our company culture. We believe in sharing knowledge and ideas freely with others to seek continuous improvement. Employees at all levels are systematically encouraged to assess how they enhance their skills and knowledge.

Experience and on-the-job training are the primary sources of learning. We foster development plans that embed the 70/20/10 approach to build robust capabilities for our people and our business.

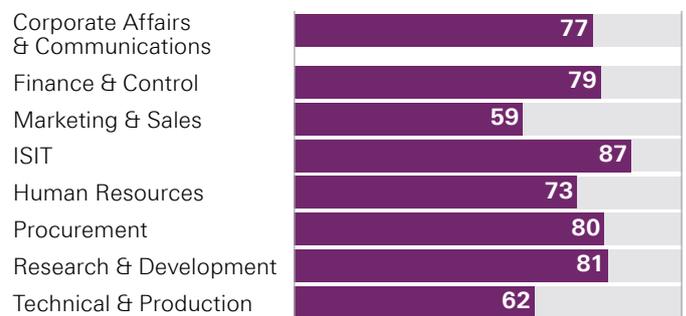
- **70% practical experience** (e.g. job rotations, special assignments, live projects);
- **20% relationship-based** (e.g. mentoring, networking); and
- **10% formal education** (e.g. training, e-learning, conferences).

The plans are reviewed against changing career paths and new opportunities, with at least one formal discussion per year. Around 76% of our employees received regular performance and career development reviews in 2015.

Our Progress and Development Guide gives structure to the discussions between employees and line managers about future career aspirations. Managers are responsible for guiding and coaching employees to succeed in their current positions. Practices such as lateral professional development, extension of responsibilities, and cross-functional teams are encouraged to acquire additional skills, enrich job content and widen accountability.

Recruiting and developing local talent with local knowledge remains crucial to maintaining our success, especially in developing countries where the proportion of native employees at management levels lags behind that of more developed countries. In 2015, 63.3% of Local Management Committee members in developing countries were native to that country.

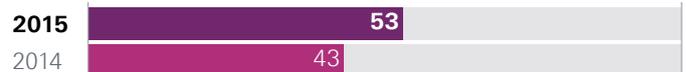
#### Employees by function who received regular performance and career development reviews in 2015 (%)



#### Local Management Committee members native to country in developing countries in 2015 (%)



#### Expatriates at Nestlé's headquarters and central functions from emerging markets (%)



### Employee Job Success Profiles

Our Job Success Profiles help employees understand what they must do to succeed in a particular role. They are published at a corporate level, local levels and on the intranet, along with information about possible career paths within certain functions. The profiles also identify opportunities for development in functional and leadership capabilities. For factory operators, we use a tailored skills matrix to track individual learning and development needs.

#### Employees by gender who received regular performance and career development reviews in 2015 (%)



This data is based on 2014 performance cycle where we had a coverage of 66%. 2015 performance cycle is not yet completed, this metric will be available end April 2016.

## HR Business Partner capabilities



We continue our focus on strengthening the capability of our global HR community, which was set as a key corporate priority in 2014. The Nestlé HR Business Partner (HRBP) Capability Framework was launched last year, with a new competency model and guidance on practical ways to build capabilities.

The HRBP model consists of six competencies:

- Strategic partner;
- Insights advocate;
- Change agent;
- HR integrator;
- Capability builder; and
- Cultural enabler.

Each one is clearly defined with behavioural descriptors and, based on this, development opportunities can be defined and actions set.

In 2015, markets were encouraged to implement the framework by reviewing capabilities and agreeing development actions to close gaps. In 2016, we will continue to encourage markets to improve HR capabilities by leveraging the HRBP framework

## Succession planning

Succession planning is our method for planning career development and filling jobs at various levels in the organisation. The plans, as a minimum, cover all of our key jobs and include a list of potential successors for those roles. They are created taking into account career history, talent assessment, performance evaluation, skills and capabilities.

At any one time, we know exactly how well potential successors are performing and how close they are to taking on the next role in their development. Their readiness is systematically reassessed on an annual basis.

In 2015, we filled 74% of key positions through succession planning. About 8750 people have now been identified as potential successors for key Nestlé positions across the organisation.

## Line managers and leadership

In an increasingly dynamic world, leaders face significant challenges and opportunities. These stem from shifts to new social patterns and unprecedented worldwide competition. Achieving ongoing success requires each of our leaders to understand context and capitalise on it. They must:

- Lead to win;
- Manage for results;
- Grow talent and teams;
- Collaborate internally
- Make a difference; and
- Compete and connect externally.

A key driver is authentic and transparent communication and feedback. Our line managers have prime responsibility for building and sustaining an environment where people have a sense of personal commitment to their work and give their best to ensure our company's success. They care for and develop the leaders of tomorrow. Line managers decide on all people matters under their influence, within the boundaries set by the policies and principles, acting as the final decision-makers. We support them with a number of tools and practices, to be used appropriately when executing their roles:

- **Me@Nestlé** is a portal that includes support information for line managers;
- The **Line Manager Portfolio** is an interactive tool supporting our people leaders;
- The **Nestlé Leadership Framework** is used to identify competencies for development initiatives;
- The **Leadership Curriculum Catalogue** provides local, regional and global training options; and
- The **Leadership Development (LD) Reference Guide for Markets** helps our LD pillar members ensure a common framework for leadership development across the company.

We run two key programmes in collaboration with the London Business School:

- **Leading the Nestlé Way Programme** gives senior leaders the skills they need to inspire employees; and
- **The Nestlé Leadership Programme** helps managers develop motivational skills.

In 2015, the relaunched Leading the Nestlé Way Programme was attended by 70 participants, while nearly 400 employees participated in the Nestlé Leadership Programme.

### Mastering the Nestlé Leadership Framework



In 2015, we completed the curriculum for our Nestlé Leadership Framework (NLF). We published it on our intranet as an interactive document, Mastering the NLF. It provides detailed learning paths for our three employee levels (all employees, leaders and senior leaders). The document acts as a map for our people to plan their leadership development journey, with a way to best suit personal development needs and career aspirations. It is easy to navigate and employees can explore course descriptions and other information, helping them choose the right course at the right time.

### Employee mentoring and coaching

We have recognised for a number of years that coaching is both a business performance accelerator and a great opportunity for individuals to develop themselves. To embed coaching into our culture, we have developed the Common Framework and Toolkit. It is a 'living' document, built on existing coaching initiatives, and acts as a first step to integrate our coaching vision, best practices, processes and measures across the Group. We have also put in place a coaching network, where each of our participating markets receives a coaching network representative to coordinate activities. In 2015, 11 markets are active members, with more markets preparing to join in 2016.

Mentoring helps accelerate development through relationship-based support, transfer of experience, of key insights and of unwritten rules, as well as bringing exposure to areas beyond a current role. The Corporate Mentoring Programme has been replaced by more targeted schemes taking place at a Zone level. The schemes pair mentees with a senior leader for around 12 to 18 months and, as part of our HR priorities, more than 27 markets were operating local mentoring programmes by the end of 2015.

### Responding to international dual-career relationships

With a presence in more than 197 countries, Nestlé offers a wide range of opportunities for people to work abroad. Together with other multinationals, we have launched a network that helps dual-career spouses with their local job search and professional integration in a new country.

The International Dual Career Network (IDCN) is an independent non-profit association and is currently chaired by the Head of Diversity at Nestlé. We continue to lead 4 out of 11 networks, which means our local operating companies manage the network in their respective country. We also provide office space and logistics support to the independent Global IDCN Coordinator.

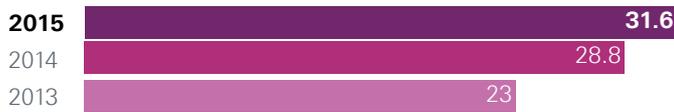
### Training our people

Our training is designed to enhance personal performance and to help achieve our business goals. Training programmes are continuously changed and improved to meet business needs. They are delivered by internal and external providers, and online.

In addition to the Rive-Reine courses, in the table below we have provided an overview of some of our management-level training run during 2015, which took place all over the world. Management courses are tracked at Rive-Reine, while local training programmes are managed and recorded locally. One example of local training in the Markets is Nestlé USA, which has trained 1470 leaders so far by leveraging its local training resources.

2015 management level courses	Number of sessions	Approximate number of attendees	Locations
Leadership Through Safety®	18	189	Cuba, Dominican Republic, Germany, Peru, Switzerland, Trinidad and Tobago
Nestlé Corporate Business Principles Management Committee sessions (ongoing)	5	107	Brazil, Panama, Portugal, Uzbekistan, Sweden
Environmental Sustainability Leadership	16	245	Australia, Brazil, China, Dubai, Malaysia, Mexico, Panama, the Philippines, Spain, Switzerland, the United States, United Kingdom, Venezuela

### Average hours of training per year per employee



Covers approximately 84% of all employees. Training hours are significantly higher due to roll-out of Learning Management System across the Group.

### Average hours of training by gender (2015)



Covers approximately 40% of all employees in the HR system.

We operate an international training and conference centre (Rive-Reine) in Switzerland and, in 2015, it hosted training for around 2695 employees. The percentage of female trainees continues to rise, and now stands at almost 46% of participants. Rive-Reine provides a place where Nestlé employees from around the world can meet and interact, sharing best practice from different cultures.

Our Leadership Through Safety® programmes are designed for us, integrating Alletrus's successful methodology. They rely on cognitive science to drive behavioural change.

We have continued the roll-out of our IT-based Global Learning Management System, iLearn@Nestlé, which is now complete. It allows employees to manage their own development and helps managers track the overall development of their team.

#### Our commitment



Provide training on *Corporate Business Principles, Nutrition and Environmental Sustainability*

#### Our objective

⊕ **By 2017** – Nestlé *Corporate Business Principles* are fully embedded in all courses at our international training centre and e-learning made available to all employees.

At the end of 2014, we successfully embedded Creating Shared Value learning into all international training centre courses. We are following the same process with the [Nestlé Corporate Business Principles](#). We have, therefore, introduced a new objective to focus our efforts. Dedicated sessions on the Nestlé *Corporate Business Principles* have been included in many of our international courses in 2015, and will be fully embedded in all international training centre courses by 2017.

The 10 Nestlé *Corporate Business Principles* are mandatory statements for all Nestlé managers and employees and are integrated in business planning, auditing and performance reviews. They are associated with specific policies and reference codes, where compliance procedures are outlined.

They are at the foundation of our company's culture, which has developed over the span of 150 years. We are committed to making sure that our entire company is managed according to them and require adherence to them from all our employees around the world.

Training on the Nestlé *Corporate Business Principles* provides our people with increased appreciation of the Nestlé Business Model, allowing them to make better and more aligned decisions and elevate the quality of support they can provide to decision-makers. We want our leaders to become role models in doing business the Nestlé way.

#### Our objectives

- **By 2015** – We aim to have all Nestlé employees trained at least once on the Nutrition Quotient (NQ) Foundation Module.
- ⊕ **By 2016** – We will embed Nutrition Quotient (NQ) training into the new employee orientation programme at all of our work sites.

As a leading Nutrition, Health and Wellness company, we provide engaging nutrition training based on the most up-to-date public health priorities. This Nutrition Quotient (NQ) training is made available to all Nestlé employees, regardless of their work site and working conditions. The programme seeks to ensure our employees have a good understanding of nutrition and it empowers them to use this knowledge in daily life – at work and home. The training has progressive levels covering subjects such as nutrients and food groups.

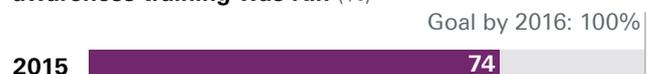
We have made great progress towards training all employees on the NQ Foundation Module, with 94.4% trained by the end of 2015, and we extended our commitment to address all our joint ventures and employee turnover. We will also embed NQ training into the new employee orientation programme at all of our work sites by 2016.

📄 **Read more** about our [nutrition, health and wellness activities](#).

#### Our objective

- **By 2016** – Environmental awareness training will be run in all countries.

#### Percentage of countries where environmental awareness training was run (%)



We are developing our environmental awareness programmes to foster a continuous improvement culture that delivers environmental sustainability. In 2015, environmental awareness training was conducted in 89 out of the 197 countries where we operate, (reaching 3968 employees). We plan to reach all countries of operation by 2016.

More than 4000 employees have successfully completed our e-learning course this year, to enhance their knowledge and learn how to apply environmentally sustainable business practices. Our United Arab Emirates business won a 2015 prize for the highest proportion of participants.

We held Environmental Sustainability Leadership workshops in Australia, Brazil, China, Malaysia, Mexico, Panama, the Philippines, Spain, Switzerland, the United Kingdom, the United States and Venezuela. The one-and-a-half-day sessions enable our employees to share best practices, improving their understanding of the challenges and external pressures facing our business. The course helps us promote environmentally sustainable business practices, and helps our leaders apply policy requirements in daily activities. In Dubai, Mexico, Switzerland and Malaysia, 49 of our trainers have also received training.

Seven of our senior managers also had the opportunity to attend the Prince of Wales's Business & Sustainability Programme at Cambridge University this year.

 **Read more** about our work to improve [environmental sustainability](#).

## Helping tackle youth unemployment

According to the ILO<sup>5</sup>, the worldwide unemployment rate among 15- to 24-year-olds is set to rise. It is currently almost three times higher than the unemployment rate for adults and it remains difficult for young people to find jobs in most countries.

Helping young people become better prepared to enter the professional world and to improve their chances in a challenging job market is one of the great public policy issues across the world today. We have introduced specific commitments and initiatives to focus our work with two aims – to recruit and develop the next generation of Nestlé leaders and to help young people with the transition from education to work.

In 2015, the initiative was rolled out globally.

### Our commitment



## Roll out the Global Youth Initiative across all our operations

### Our objective

- **By 2016** – Nestlé will offer 10000 job opportunities and 10000 traineeships or apprenticeships to young people below 30 years of age in Europe, to help tackle unemployment in this age group.

#### Number of young people hired below 30 years of age in Europe



#### Number of trainees hired below 30 years of age in Europe



Across Europe we have offered permanent and temporary positions to 6049 young people, meeting our 2016 goal ahead of time, and strengthened apprenticeships and traineeships. We have organised 1756 readiness-for-work events (CV clinics, events in unemployment offices during open days, participation at job fairs and company information lectures), mobilising more than 5706 Nestlé employees. The Nestlé needs YOUth programme was launched across our European markets in 2013 in Athens, Greece, to deliver a mix of jobs, apprenticeships and traineeship opportunities.

The programme has received recognition in France in 2015, receiving Diversity and Corporate Social Responsibility Awards from *LSA* magazine in the Social Engagement category. We were also delighted to learn that this year, Nestlé has moved up in Europe's Universum Student Surveys from Rank 11 to Rank 9 in the category Europe's Most Attractive Employers – Business Student 2015. The results are based on the responses of more than 168 000 undergraduate students.

Our North–South solidarity programme offers students from southern European states the chance to take part in operations' apprenticeships or traineeships in other parts of Europe. Opportunities are organised in conjunction with local governments and employment offices. It enables young people to receive in-depth technical training and language training for their host country.

For example, we provide apprenticeship opportunities in the *Nescafé Dolce Gusto* factory in Schwerin, Germany, to Spanish students, who get practical and vocational training at the site and the local vocational training at the school. The programme runs in partnership with the local government of Catalonia, Spain, the Employment Office and the Chamber of Commerce and the EU's [EURES](#) job portal.

## Reintroducing apprenticeship schemes in Eastern Europe

In the Czech Republic and Slovakia, VET schemes have had a long tradition, but most were abandoned in the 1990s, as a result of the transformation of the society and economy after the regime change. The need has remained and in Slovakia from September 2015 Nestlé has received official approval for a new Operator in Food Industry Products apprenticeship class. The three-year programme prepares students for work at food business operators, such as in bakeries or groceries. On-the-job training classes (usually half of the curriculum) are to be held at our Prievidza factory.

In the Czech Republic, at the Nestlé Zora factory, we are supporting local schools with the Chocolate Confectionery Production apprenticeship programme. In 2015, 75% of the 34 apprentices that graduated were hired. Key to the scheme's success is associated cooperation with local authorities, the secondary school, elementary schools and parents.

## Staff volunteering programme in France

In France, Nestlé has pioneered three employee volunteering programmes to help tackle the country's high rate of youth unemployment (currently 24.4%). Wednesday workshops provide coaching for up to 40 unemployed young people once a month, while volunteers have encouraged more than 2300 children to stay in school through a school dedication scheme, run in partnership with NGO Energie Jeunes (Young Energy). Collaborating with another NGO, Un Stage et Après ('An Internship and After'), Nestlé offices and factories throughout France host on average 10 school children each month for a 'week of discovery', so that they can experience the workplace and be inspired to achieve their potential.

## Supporting the European Alliance for YOUth initiative

Building on our efforts, around 200 companies have now joined forces with Nestlé to tackle long-term joblessness among young people in Europe. In 2014, we launched the Alliance for YOUth, which unites companies in Europe to provide apprenticeships, traineeships and readiness for work events. This year, two new multinationals joined the alliance as pan-European partners, Engie and Metro.

In its first year, the Alliance for YOUth has helped more than 50 000 young Europeans to find jobs or training opportunities. It has pledged to create more than 100 000 opportunities for young people by 2017. With 4.8 million people in Europe under the age of 25 still unemployed, the group is working closely with schools and universities to set up 'dual-learning' schemes across the continent, combining formal education with apprenticeships and on-the-job training to help match skills with jobs on the market.

March 2015 saw the Alliance for YOUth introduce a social and participative platform, made by youth for youth, and hosted on [Facebook](#). It offers education, jobs, services and entertainment, with focus areas including 'how to look for a job'; 'preparing your CVs and cover letters'; 'taking care of your digital footprint'; and 'securing an interview'. The platform is developed and managed by students from CREA and INSEEC, two higher-education school organisations, as part of their digital marketing degree programme.



After one year of activity, we can say that the Alliance for YOUth creates a new dynamic. More than 60% of the business partners have already improved youth recruitment practices and youth employability since they became involved in the alliance."

**Luis Cantarell, Nestlé Executive Vice President, Head of Zone EMENA**



In 2015, Nestlé and the Alliance for YOUth co-initiated [the European Pact4Youth](#). The pact, was created by corporate social responsibility network [CSR Europe](#), in partnership with the European Commission. It aims to boost collaboration between business and education providers, in support of youth employability and inclusion. It has targeted the creation of 10000 partnerships, with a shared target to establish at least 100000 apprenticeships, traineeships or entry-level jobs. Around 400 people attended the launch event, with European Employment Commissioner Thyssen, European Parliament President Schulz under patronage and in the presence of the King of Belgium.

## Service industry skills with *Nespresso* France

*Nespresso* France and educational partner CFA Stephenson believe that three factors are key to the success of their Vocational Educational Training (VET) programme:

- A strong recruitment process to attract motivated students;
- A strong 'mentor community' trained by *Nespresso* to accompany the students; and
- A strong partnership with the school and the teaching staff.

The programme started in September 2014, bringing together 13 students who are appointed to six different Parisian boutiques where they hold customer service assistant positions ('coffee specialists'). It lasts for two years and prepares students for a BAC +2 diploma, enabling them to apply for customer assistant, salesman or deputy manager positions in retail networks, banks or service companies. In 2015, *Nespresso* employees from HR, Marketing and Supply Chain departments also gave lectures at the school, giving students the opportunity to better connect theory and practice.

## New vocational training in Spain

Through an investment of EUR 102 million (CHF 122 million), our factory in Girona, Spain, will become the largest Nescafé instant coffee factory in Europe. Ensuring a sustainable talent pipeline for it, is a key focus area. Nestlé Spain believes that VET fosters dialogue between corporate and educational institutions, accelerating their induction process. It guarantees the development of professional competencies that match company needs and helps workforce process planning. However, Spanish companies have no tradition of integrating dual training programmes into their day-to-day activities and the legal implementation framework is recent (2012). Enrolment in dual VET programmes in Spain was at 1%, compared with 42% in Germany and 14% in the EU.

In September 2014, Nestlé Spain, in cooperation with the vocational school Institut Narcís Xifrà I Masmitjà, launched a new VET programme at the Girona factory. Sixteen students were selected and divided among four teams, gaining practical experience and integrating theoretical insights from school. Each student receives a grant throughout their training. In October 2014, the Councillor for Education of the Generalitat, Irene Rigau, and Laurent Dereux, Market Head of Nestlé Spain, signed a cooperation agreement to promote VET.

## Engagement with Namysłów Mechanics School in Poland

Our ice cream factory in Namysłów has been providing VET for students from the local mechanics school since 2008. The cooperation is based on a regular dialogue with teachers; we also listen carefully to the needs and expectations of our apprentices. The programme helps prepare young people for technical positions, especially as electricians. It assists with ensuring retention of knowledge in our business and the sustainability of recruitment needs. Three dedicated tutors (factory engineer, maintenance supervisor and mechanic) are responsible for providing professional knowledge and support, supervision while at work and completion of the apprenticeship programme. Nestlé has also created a mentoring programme based on regular surveys of apprentices. In 2014, four third-year vocational school students received professional training.

In March 2015, Nestlé hosted European Parliament member Danuta Jazłowiecka, Vice-President of the Employment and Social Affairs Committee, and Bartosz Medyk, Director of Namysłów Mechanics School. It was a great occasion to exchange experiences and talk about future perspectives for young people.



I'm very happy that, together with Nestlé, we managed to start a dialogue. After identifying the needs of both sides and after creating a model for cooperation, we have worked out a good apprenticeship programme. The opportunity to learn in real terms is a great asset for any school and the sign of development in vocational training. Not long ago, students were trained in professions which proved useless on the current labour market. Now, thanks to our cooperation, we are able to create educational plans that meet real needs."

**Bartosz Medyk, Director, Namysłów  
Mechanics School**

## Taking Nestlé needs YOUth global

### Our objective

- ⊕ **By 2018** – Nestlé will offer 24 000 job opportunities, and 7 000 apprenticeship, internship or traineeship positions across the Americas.

We are transforming the Nestlé needs YOUth programme into a global initiative. It has already been launched in the Americas, where we will offer 24 000 job opportunities and 7 000 apprenticeships, internships or traineeships by the end of 2018. We are preparing similar action plans for Asia, Oceania, sub-Saharan Africa and the Middle East.



When talking about sustainable development, we must keep in mind that employment is a key element of social integration and economic development. Yes, we will need to feed an additional 2 billion people over the next few decades, but we will also have to create jobs for them. To Nestlé, the jobs dimension is as important as the environmental dimension."

**Laurent Freixe, Executive Vice President Nestlé S.A., Head of Zone Americas**

To make a bigger impact, we have also joined the [Global Apprenticeships Network \(GAN\)](#), a coalition of companies, employers' federations and associations that addresses the global youth unemployment crisis and the need for business to ensure skills for the future. The network was founded in 2013 by the [International Organisation of Employers](#) and the [Business and Industry Advisory Committee to the OECD \(BIAC\)](#), with the support of the ILO. Members are committed to activities including sharing good practices within the network and improving the status of apprenticeship programmes through advocacy campaigns. Nestlé's membership was announced at an event to mark the opening of GAN's national office in Spain, attended by officials and business leaders.

In May, Nestlé Indonesia participated in the launch of INAN (Indonesia National Apprenticeship Network) in Jakarta. Nestlé Indonesia is among the first 15 companies to join the apprenticeship network, which was formed by GAN in collaboration with APINDO (an Indonesian business/entrepreneur association). INAN aims to promote apprenticeship programmes in Indonesia to help build industry skills and capabilities of high school and vocational graduates. It will also give companies a forum for sharing best practices, technical training facilities and sourcing apprenticeship graduates.

### Offering *Nescafé* internships in Japan

Following the Nestlé Cocoa Plan Internship offered in 2014, Nestlé Japan has launched the *Nescafé* Ambassador Internship course. The initiative helps young people with the transition from education to work. It provides an opportunity for students to develop their business understanding, identifying and developing skills around innovation and leadership. The course is targeted at small- and medium-sized companies and through it interns can become a *Nescafé* Ambassador, taking office coffee orders and managing co-workers' payments. They make the coffee with machines provided for free by Nestlé. With a business model that is unique to Japan, 1867 people applied to take part in 2015 and 18 were accepted as *Nescafé* Ambassadors. Interns are not paid, but receive access to specific training programmes, workshops and campaigns.

### Helping young job seekers in the Americas

More than 7000 young job seekers across Brazil will be offered the chance to develop their professional skills and increase their employability, as part of our Global Youth Initiative in the country. We already employ about 21 000 people in Brazil, and will offer 7000 opportunities to under-30s by 2017, of which 2800 will be apprenticeships or traineeships. An additional 30 000 young people will benefit from readiness for work activities, such as career counselling, CV workshops and interview training at schools, colleges and Nestlé sites. Nestlé Brazil will also encourage its 11 000 suppliers to join the initiative and create their own opportunities for young people.

Elsewhere in the Americas, our Global Youth Initiative was launched in Central America in August. It will provide 1000 opportunities. Nestlé Chile and Nestlé Canada also announced their activities in 2015; the former aims to support more than 6000 young Chileans by 2017, and in Canada Nestlé will offer tangible training opportunities and experiences to more than 5000 young people.

### Expanding our US apprenticeship programme

Nestlé has launched Project Opportunity in the United States, a career acceleration programme to help people of all ages gain work experience and strengthen their skills in food and beverage manufacturing. By 2017, we have pledged to hire 1000 paid interns and trainees, and significantly expand the number of apprenticeship positions we offer across our US operations. We will also expand our US Readiness for Work programme, designed to facilitate the transition between school and employment, to reach more than 300 000 people by the end of 2017, by participating in job fairs and organising information sessions and workshops.

### Supporting Government initiatives for youth in Pakistan

Nestlé Pakistan has partnered with the Prime Minister's Youth Business Loan Scheme, managed by the National Bank of Pakistan, to generate self-employment opportunities for young, talented vendors. In the first phase, young dairy farmers will be granted loans to establish new businesses or develop existing ones. Nestlé Pakistan will assist by providing the young people with training to assure best-quality products and optimise productivity. Nestlé will also work with the Lahore Chamber of Commerce and Industry and the Small and Medium Enterprises Development Authority to identify organisations that need support. Nestlé will provide expertise to build the capabilities of young people, so that their products and services can become a part of our value chain.

# Appendix



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# Notes on transport and distribution data

The criteria and methodology used in the calculations of all the transport and distribution data is as follows:

## Gaps/exclusions:

- Only the transport of finished goods is covered in the environmental reporting. Transports from suppliers to our factories for raw and packaging materials are not covered.
- The transport reporting includes a) International transport, b) Primary transports from factory to distribution center and c) Secondary transport from distribution center to customer.
- Coverage of around 60% of tonnage despatched to customers, extrapolation to full scope of Nestlé.
- For transportation, standard fuel consumption factors per km per vehicle are taken and not real consumption.
- The major part of the transportation is outsourced and only a relatively small part of the transportation is done with our own fleet vehicles. Currently, our reporting doesn't distinguish between own and third party transport and we cannot clearly separate Scope 1 and Scope 3 emissions from transport. A similar situation is for warehousing, where a large part of warehouses is outsourced. We estimate the complete CO<sub>2</sub> emission for own and outsourced warehouses, but cannot clearly separate between Scope 2 and Scope 3 emissions from warehousing.
- Due to different extraction methods per market for the base data, the data quality is different by market. A validation is done by cross-checking with earlier reports and any significant year-on-year variations must be explainable.
- We are not covering completely our ocean transports.

## Methodology used to calculate data in the transport section:

- We have a yearly reporting by market on transport activities and warehousing.
- The coverage is for own fleet and outsourced transports.
- Every transport lane is captured with distance, number of shipments per year, transport mode and vehicle type, yearly tonnage.
- For road transport, standard fuel consumption rates (litre of fuel per 100 km) for a set of predefined vehicle types are used for calculating the overall fuel used. Fuel consumption is then converted into CO<sub>2</sub> emissions using DEFRA emission factors per litre of fuel consumed (diesel or petrol).
- CO<sub>2</sub> emissions for train, sea, combined (road-rail transport) are based on standard CO<sub>2</sub>-emission factors per tonne/km, defined per transport mode.

- In transportation, we cover around 60% of the overall tonnage distributed. An extrapolation to cover the full despatched volume is done by extrapolating the average CO<sub>2</sub> emissions per tonne of product separately by geographical zone and for the Water business. This approach is taken as within a geographical zone and within the Water business the average CO<sub>2</sub> emissions per tonne of product are representative.
- For warehousing, every market is reporting the number of pallet spaces per warehouse type (ambient, temperature controlled, chilled, negative temperature). A yearly default energy consumption per pallet space by warehouse type is applied to calculate the yearly energy consumption for warehousing per market. Markets can overwrite the default energy consumption rate with real consumption rates when available. As an approximation, all energy consumption is assumed to be electricity. By applying a factor for indirect CO<sub>2</sub> emissions per kWh consumed per market, the CO<sub>2</sub> emissions for warehousing per market are estimated.
- The extrapolation from the 60% of tonnage covered to the full scope of Nestlé is done – as for transportation – based on CO<sub>2</sub> emissions per tonne of product, extrapolating separately by geographical zone and for the Water business.

# Bureau Veritas' Independent Assurance Statement



To: The Stakeholders of Nestlé SA

## Introduction and objectives of the engagement

Bureau Veritas has been engaged by Nestlé SA (Nestlé) to provide independent assurance over the Nestlé in society: Creating Shared Value and Meeting Our Commitments 2015 report (the CSV Report) published online in PDF on the [Nestlé website](#). The aim of this process is to provide reassurance to Nestlé's stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business. The CSV Report has been self-declared to comply with the 'in accordance – comprehensive' requirements of the GRI G4 guidelines.

## Scope of work

The scope of work included a review of CSV activities and performance data over the reporting period January 1<sup>st</sup> to December 31<sup>st</sup> 2015. Specifically, this included:

- i) Statements, information and performance data contained within the CSV report;
- ii) Nestlé's management approach of material issues; and
- iii) Nestlé's reported data and information as per the requirements of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2<sup>1</sup> assurance. We applied a moderate<sup>2</sup> level of assurance.

## Opinion and commentary

On the basis of the scope of work, nothing came to our attention to suggest that:

- the account of Nestlé's CSV activities and performance during 2015 and presented in the CSV Report is materially misstated;
- Nestlé does not adhere to the principles of inclusivity, materiality and responsiveness as per the AA1000 Accountability Principles Standard 2008.

Any errors or misstatements identified during the engagement were corrected prior to the CSV Report being published.

For our detailed methodology which explains the work undertaken to inform our opinion, please see '**Methodology**' below.

## Positive developments

We are pleased to observe progress in the following areas:

- As investment into CSV-related projects continue to be the driver for performance improvements in a number of CSV areas, Nestlé has made progress with the governance of such projects by incorporating investment decisions into its Capital Expenditure process, particularly in the area of Environmental Sustainability.
- While some of Nestlé's commitments came to an end in 2015, Nestlé has demonstrated continued focus on its material CSV issues by establishing new commitments that challenge its performance going forward.
- It is positive to observe that the Nestlé Nutrition Institute (NNI) maintains a high degree of independence in its policies and underlying systems from Nestlé's business priorities and focus. As the NNI is moving towards publishing more practical material, this is essential in maintaining its reputation as a credible research body.
- Nestlé has rolled out an updated Responsible Marketing to Children policy which aligns with the EU Pledge criteria, committing to a consistent global approach that ensures minimum performance levels across markets.

## Key recommendations for 2016

- As per our recommendation in the 2014 CSV report, Nestlé should consider communicating more information to stakeholders on how governance over material issues extends beyond the corporate entity to the end markets, and also to other entities such as Joint Ventures and newly acquired businesses.
- Reporting on Responsible Sourcing and Traceability figures within the CSV report still lags by 1 year. In addition, reported figures do not cover all of Nestlé businesses<sup>3</sup>, and are reliant on estimations and manual consolidation of data. Nestlé should therefore consider reviewing its internal reporting process and tools for responsible sourcing to produce more timely and accurate data that aligns with the CSV reporting period. In addition, Nestlé should ensure that reporting on the 12 priority categories is consistent; covering all businesses included within the scope of reporting.

1 Type 2 Assurance: an engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality and Responsiveness and verifies the reliability of specified sustainability performance information (AA1000AS (2008) Standard). For further information see [www.accountability.org/standards/aa1000as/](http://www.accountability.org/standards/aa1000as/)

2 All relevant text was supported by interview evidence as a minimum, and supported by corroborating interview evidence or another source wherever possible. A moderate level of assurance is commensurate with "limited" assurance as defined in the ISAE3000 (2003, rev2008) assurance standard.

3 Businesses not covered by the scope of responsible sourcing and traceability data include Nestlé Nutrition, Nestlé Skin Health, and Nestlé Health Science.

- Focus on research and innovation, which will ultimately provide the products that will drive Nestlé's business model from food and beverage to nutrition, health & wellness, continues to increase. Nestlé should consider providing more information on the management, and performance, related to associated material issues such as patents, animal testing and clinical trials.
- As per previous years, Nestlé's reporting on employee data covers approximately 84% of its employees (which represent those covered by its central reporting system). Nestlé should therefore consider consolidating its reporting systems to ensure the completeness of reporting on its employee data globally, and that CSV reporting is representative of its entire workforce.
- With Nestlé's 'Tell Us' grievance mechanism Nestlé should consider its communication channels and the accessibility of the 'Tell Us' system, particularly for stakeholders in its upstream supply chain.
- Reporting on impacts of global initiatives could be standardised across markets and strengthened at the centre level. This is to ensure consistent data collection, collation and reporting across markets and operations.

### Findings and conclusions concerning adherence to the AA1000 principles of Inclusivity, Materiality and Responsiveness, and specified performance information

**Inclusivity<sup>4</sup>** – At the global level, Nestlé's on-going programme of stakeholder convenings involving NGOs, government, academia and investors, continues to provide the business with valuable stakeholder insight on its CSV strategy and activities. In 2015 this has been further extended by engaging with specific stakeholders on key issues and focus areas throughout the proceedings of the convenings. At the local level, there remains scope for Nestlé to improve its active engagement with local stakeholders – as opposed to global stakeholder group representation – to capture issues and feedback at this level.

**Materiality<sup>5</sup>** – Nestlé has used the same materiality determination process which was used in 2014, as it was deemed to continue to be appropriate and relevant to the business. We believe that this process continues to be relevant and is therefore representative of Nestlé's material issues in 2015.

As per our commentary in 2014, Nestlé should ensure that topics and aspects related to its evolving business model towards nutrition, health and wellness are captured in its process. Also, in the prioritisation of material issues, Nestlé should consider incorporating regulations and compliance requirements in the materiality scoring criteria for aspects that require continuous monitoring, robust management and regulatory reporting.

4 **Inclusivity** is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

5 **Materiality** is determining the relevance and significance of an issue to an organisation and its stakeholders.

6 **Responsiveness** is the extent of an organisation's response to stakeholder issues and is realised through decisions, actions and communication with stakeholders.

**Responsiveness<sup>6</sup>** – Nestlé remains responsive to stakeholder concerns through its CSV report and continues to disclose the key recommendations made by stakeholders during the annual stakeholder convenings. It is recommended that Nestlé also reports its response to key stakeholder concerns and issues raised to indicate the actions that will be taken to address them.

**Specified performance information** – As with previous reporting cycles, Nestlé has continued to produce reliable data for its reporting on Safety, Health and Environment (SHE) through its internal data capture and reporting system. SHE data is well managed owing to a high degree of control at a global level with appropriate checks to ensure consistency and veracity. Attention should be given to improving the data collection process for other key performance data sets such as Responsible Sourcing, Transport, both of which currently lag the overall reporting period (2013 data reported in 2014). In addition, market-level reporting on the impact of global initiatives and programmes could be strengthened to ensure consistency and accuracy.

### Methodology

We undertook the following activities to inform our assurance engagement:

- interviewed personnel at various levels throughout the organisation at Nestlé's head office in Vevey, Switzerland;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting systems as they relate to selected content and performance data;
- reviewed a selection of external media reports relating to Nestlé and the food sector to evaluate the coverage of topics within the CSV pages of the Nestlé website;
- reviewed a selection of market case studies featured within the CSV report;
- reviewed the outcomes of Nestlé's stakeholder engagement activities in 2015; and
- evaluated Nestlé's public disclosures against the GRI G4 Sustainability Reporting Guidelines.

### Exclusions and limitations

Excluded from the scope of our work is the following:

- Data related to responsible sourcing and traceability of Dairy ingredients, data related to responsible sourcing of Hazelnuts, and data related to percentage of purchased palm oil that is RSPO certified;
- Data related to number of violations involving rights of indigenous people, suppliers with significant risks of forced and compulsory labor, and suppliers who have undergone human rights screening;
- Data related to Nestlé Professional product sales and penetration;
- Information related to activities outside the defined reporting period or scope;
- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intent);
- Historic text which was unchanged from previous years and did not relate to ongoing activities;

- Financial data taken from Nestlé's Annual Report and Accounts 2015 which is audited by an external financial auditor;
- Content of external websites or documents linked from within [www.nestlé.com/CSV](http://www.nestlé.com/CSV) pages; and
- Country or business unit specific CSV reports of other Nestlé entities or joint ventures.

This assurance statement is subject to the following limitations:

- This assurance engagement does not constitute verification of Zero Waste to Landfill for the locations where Nestlé reported that this has been achieved;
- This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the CSV report. The scope of our work was defined and agreed in consultation with Nestlé; and
- Our work covers global operations and relies upon the collation of global information at Nestlé head office in Vevey, Switzerland.

### Responsibilities of Nestlé SA and of the assurance provider

The preparation, presentation and content of the printed and online versions of the Nestlé in Society: Creating Shared Value and Meeting Our Commitment Report 2015 ('the CSV report') is the sole responsibility of Nestlé SA. The responsibility of Bureau Veritas is to provide independent assurance to stakeholders on the accuracy, reliability and objectivity of the information contained therein, and to express our overall opinion as per the scope of assurance engagement defined in this statement.

Bureau Veritas recognises the need for a robust, transparent assurance process to ensure credibility and to act as a tool to drive performance improvement in Nestlé's CSV reporting and strategy. This is achieved by providing impartial commentary on the reporting process and recommendations for further development in this assurance statement, and in an internal management report presented to Nestlé.

### Statement of Bureau Veritas Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 180 years of history in providing independent assurance services.

Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in any other projects with Nestlé outside those of an independent assurance scope and we do not consider there to be a conflict between the other services provided by Bureau Veritas and that of our assurance team.

Our assurance team completing the work for Nestlé has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and through its combined experience in this field, an excellent understanding of good practice in corporate responsibility reporting and assurance.



London, March 2016

# GRI content index

## GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Strategy and Analysis</b>					
G4-1	NiS: A message from our Chairman and our CEO <a href="#">p7–8</a>				No
G4-2	AR: Principal risks and uncertainties <a href="#">p51</a> NiS: Materiality <a href="#">p12–16</a> NiS: Materiality > Using our materiality assessment <a href="#">p17</a> NiS: Introducing our commitments <a href="#">p18</a> HRC: Our role in human rights and compliance <a href="#">p222–225</a> HRC: Human rights > Human rights reporting: for an integrated approach <a href="#">p226</a>				Yes, see assurance statement <a href="#">p295</a>
<b>Organizational Profile</b>					
G4-3	Front cover of report				Yes, see assurance statement <a href="#">p295</a>
G4-4	<a href="#">Nestlé.com/brands</a> AR: Nestlé Health Science <a href="#">p14–15</a> AR: Nestlé Skin Health <a href="#">p16–17</a> AR: Nestlé Food and Beverage <a href="#">p18–19</a>				No
G4-5	CGR: Articles of Association of Nestlé S.A. <a href="#">p48</a>				No
G4-6	AR: Geographic data: Factories <a href="#">p52</a> CFS: Operating Segments <a href="#">p74</a>				No
G4-7	CFS: Companies of the Nestlé Group <a href="#">p140</a> CGR: Group structure and shareholders <a href="#">p3–4</a> AR: Corporate Governance and Compliance <a href="#">p55</a>				Yes, see assurance statement in CFS <a href="#">p136</a>
G4-8	AR: Nestlé Food and Beverage <a href="#">p20–31</a> AR: Principal key figures and sales by area <a href="#">p41–60</a> CFS: Companies of the Nestlé Group <a href="#">p140</a>				Yes, see assurance statement in CFS <a href="#">p136</a>
G4-9	AR: Group overview <a href="#">p40</a> AR: Geographic data: Factories <a href="#">p42</a> CFS: Consolidated balance sheet as at 31 December 2015 <a href="#">p62–63</a> CFS: Consolidated cash flow statement for the year ended 31 December 2015 <a href="#">p64</a> NiS: Our CSV performance <a href="#">p5–6</a>				Number of employees has been assured, see assurance statement <a href="#">p295</a>

### Abbreviations:

AR: Annual Review 2015

CFS: Consolidated Financial Statements of the Nestlé Group

CGR: Corporate Governance Report

CSV: Creating Shared Value at Nestlé

DMA: Disclosure of Management Approach

ES: Environmental sustainability

HRC: Human rights and compliance

NHW: Nutrition, health and wellness

NCBC: Nestlé Code of Business Conduct

NCBP: Nestlé *Corporate Business Principles*

NiS: Nestlé in society – Creating Shared Value

OP: Our people

RD: Rural development

W: Water

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-10</b>	<p><b>NiS:</b> Our CSV performance <a href="#">p5–6</a>  <b>OP:</b> Diversity &gt; Enhancing diversity in our workforce <a href="#">p279</a>  <b>OP:</b> Labour relations &gt; Our workforce <a href="#">p274–275</a></p> <p>Covers Nestlé employees registered in the HR system (approximately 85% of all employees).  Nestlé do not have a substantial portion of their work performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.  Nestlé do not have any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-11</b>	<p><b>OP:</b> Labour relations &gt; Our workforce &gt; Collective bargaining and freedom of association <a href="#">p276</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-12</b>	<p><b>RD:</b> Our priority sourcing categories <a href="#">p112</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-13</b>	<p><b>CFS:</b> Acquisitions and disposals <a href="#">p70</a>  <b>AR:</b> Letter to our shareholders <a href="#">p2</a>  <b>CGR:</b> 2.3 Changes in capital <a href="#">p4</a></p> <p>There were no material changes in Nestlé’s supply chain in this reporting year.</p>				No
<b>G4-14</b>	<p><b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards (The Nestlé Policy on Environmental Sustainability) <a href="#">p171</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-15</b>	<p><b>NiS:</b> Partnerships and collective action &gt; Summary of key relationships <a href="#">p33–34</a>  <b>NiS:</b> Our work with the United Nations <a href="#">p35–39</a>  <b>NHW:</b> Responsible marketing &gt; Responsible marketing of breast-milk substitutes &gt; Compliance <a href="#">p84–86</a>  <b>W:</b> Public policy advocacy and collective action &gt; UNGC CEO Water Mandate <a href="#">p150</a>  <b>W:</b> Public policy advocacy and collective action &gt; Supporting the WBCSD WASH Pledge <a href="#">p150</a>  <b>W:</b> Public policy advocacy and collective action &gt; International standards for water footprinting <a href="#">p151</a></p> <p>When Nestlé signs up to a charter, principle or other initiative then it applies to all countries.</p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-16</b>	<p><b>NiS:</b> Partnerships and collective action <a href="#">p31–34</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>Identified Material Aspects and Boundaries</b>					
<b>G4-17</b>	<p><b>CFS:</b> Companies of the Nestlé Group <a href="#">p140–158</a>; Scope of consolidation, acquisitions and disposals of businesses, assets held for sale <a href="#">p70</a>  <b>NiS:</b> About this report <a href="#">p4</a></p> <p>All entities are covered by the report, where there are exceptions these are noted as footnotes in the report.</p>				Yes, see assurance statement in CFS <a href="#">p136</a>

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-18</b>	<b>NiS:</b> About this report <a href="#">p4</a> <b>NiS:</b> Materiality <a href="#">p12-17</a> <b>NiS:</b> Stakeholder engagement <a href="#">p25-26</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-19</b>	<b>NiS:</b> Materiality <a href="#">p12-17</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-20</b>	<b>NiS:</b> About this report <a href="#">p4</a> <b>NiS:</b> Materiality > Our material issues <a href="#">p13-16</a>	The following sub indicators are not met: <ul style="list-style-type: none"> <li>If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> <li>The list of entities or groups of entities included in G4-17 for which the Aspect is not material or</li> <li>The list of entities or groups of entities included in G4-17 for which the Aspects is material</li> </ul> </li> <li>Report any specific limitation regarding the Aspect Boundary within the organization</li> </ul>	The information is currently unavailable	These omissions will be reviewed as part of the 2016 materiality process, and a response will be provided in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-21</b>	<b>NiS:</b> Materiality <a href="#">p12-17</a>	The following sub indicators are not met: <ul style="list-style-type: none"> <li>In addition, describe the geographical location where the Aspect is material for the entities identified</li> <li>Report any specific limitation regarding the Aspect Boundary outside the organization</li> </ul>	The information is currently unavailable	These omissions will be reviewed as part of the 2016 materiality process, and a response will be provided in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-22</b>	Some data in the report has been restated since 2013 and has been noted on a case-by-case basis, including for our key performance indicators, see: Nestlé Consolidated Environmental Performance Indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a> <b>NiS:</b> About this report <a href="#">p4</a>	Report the effect of any restatements.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-23</b>	<b>NiS:</b> About this report <a href="#">p4</a> <b>NiS:</b> Materiality <a href="#">p12-17</a> There have been no significant changes from previous reporting periods.				Yes, see assurance statement <a href="#">p295</a>
<b>Stakeholder Engagement</b>					
<b>G4-24</b>	<b>NiS:</b> Stakeholder engagement > Stakeholder convenings <a href="#">p25</a> <b>NiS:</b> Partnerships and collective action <a href="#">p31-32</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-25</b>	<b>NiS:</b> Partnerships and collective action – A strategic approach <a href="#">p31</a> <b>NiS:</b> Stakeholder engagement <a href="#">p25-26</a> Stakeholders are identified and selected for invitation to the Creating Shared Value Stakeholder Convenings based on: <ul style="list-style-type: none"> <li>• Their expertise in relevant CSV issues (including nutrition and health, water and environmental sustainability, human rights and rural development);</li> <li>• Their relationship with Nestlé;</li> <li>• Their knowledge and experience of important Nestlé markets.</li> </ul> Nestlé seeks to engage at its convenings stakeholders with expertise across CSV issues and representing a range of interests including stakeholders drawn from NGOs, academic centres, governmental and intergovernmental organisations, funding agencies, think tanks, consultancies and social enterprises working in Nestlé's Creating Shared Value issue areas. (Note previously we have also included faith based organisations in this list.)				Yes, see assurance statement <a href="#">p295</a>
<b>G4-26</b>	We engage, listen, and respond to a wide range of stakeholders on a regular basis. Through meaningful engagement, our stakeholders have helped us improve and helped us set the priorities for our creating shared value strategy. Please find meaningful examples of our engagements with our stakeholders across the following sections of this report. <b>NiS:</b> Materiality > The materiality process <a href="#">p12-16</a> <b>NiS:</b> Stakeholder engagement <a href="#">p25-26</a> <b>NiS:</b> Partnerships and collective action <a href="#">p31-35</a> <b>NHW:</b> Our role in nutrition > Multi-stakeholder engagement and leadership <a href="#">p46-47</a> <b>RD:</b> Our role in rural development > Engagement and collaboration <a href="#">p95</a> <b>ES:</b> Our role in environmental sustainability > Multi-stakeholder engagement <a href="#">p172</a> <b>ES:</b> Protecting and enhancing biodiversity: Supporting public policy <a href="#">p219</a> <b>W:</b> Public policy advocacy and collective action <a href="#">p149-152</a> <b>W:</b> Our role in water stewardship > Sharing our progress <a href="#">p143</a> <b>HRC:</b> Our role in human rights and compliance > Engagement and collaboration <a href="#">p225</a> <b>OP:</b> Our role with our people: Measuring and sharing our progress > The 'Nestlé & I' employee engagement survey <a href="#">p259</a>				Yes, see assurance statement <a href="#">p295</a>

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-27</b>	<p>We engage, listen, and respond to a wide range of stakeholders on a regular basis. Through meaningful engagement, our stakeholders have helped us improve and set the priorities for our creating shared value strategy. Please find meaningful examples of our engagements, initiatives, and partnerships, with our stakeholders across the following sections of this report. This report is written in part to address concerns raised by stakeholders.</p> <p><b>NiS:</b> Stakeholder engagement <a href="#">p25–26</a>  <b>NiS:</b> Partnerships and collective action &gt; Summary of key relationships <a href="#">p33–34</a>  <b>NHW:</b> Our role in nutrition &gt; Multi-stakeholder engagement and leadership <a href="#">p46–47</a>  <b>RD:</b> Our role in rural development &gt; Our policies and standards &gt; Engagement and collaboration <a href="#">p95</a>  <b>ES:</b> Our role in environmental sustainability &gt; Multistakeholder collaboration <a href="#">p172</a>  <b>ES:</b> Protecting and enhancing biodiversity &gt; Supporting public policy <a href="#">p219–220</a>  <b>W:</b> Our role in water stewardship &gt; Sharing our progress <a href="#">p143</a>  <b>W:</b> Public policy advocacy and collective action <a href="#">p149–152</a>  <b>HRC:</b> Our role in rural development &gt; Engagement and collaboration <a href="#">p95</a>  <b>OP:</b> Our role with our people &gt; Measuring and sharing our progress <a href="#">p259</a></p>	Report the stakeholder groups that raised each of the key topics and concerns.	The information is subject to specific confidentiality constraints.	The stakeholder convenings are held under the Chatham House Rule, so the identity and affiliation of the participants is confidential. This means we are unable to report the stakeholder groups that raised each of the key topics and concerns.	Yes, see assurance statement <a href="#">p295</a>
<b>Report Profile</b>					
<b>G4-28</b>	<b>NiS:</b> About this report <a href="#">p4</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-29</b>	<p><b>NiS:</b> About this report <a href="#">p4</a></p> <p>Nestlé's previous report was published in 2015 and covered Nestlé's global operations for the year ending 31 December 2014.</p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-30</b>	<b>NiS:</b> About this report – Reporting period and scope <a href="#">p4</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-31</b>	<b>NiS:</b> About this report – Contact us <a href="#">p4</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-32</b>	<p><b>NiS:</b> About this report: Reporting period and scope – Global Reporting Initiative <a href="#">p4</a></p> <p><b>Appendix:</b> GRI content index <a href="#">p298–342</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-33</b>	<p><b>NiS:</b> About this report: Assurance <a href="#">p4</a></p> <p><b>Appendix:</b> Assurance statement <a href="#">p295–297</a></p> <p>The summary Creating Shared Value report and assurance of the report statement is requested and signed off by Janet Voûte, Vice President, Global Head of Public Affairs, and Eugenio Simioni, Corporate Communications Director.</p>				Yes, see assurance statement <a href="#">p295</a>
<b>Governance</b>					
<b>G4-34</b>	<p><b>CGR:</b> Board of Directors <a href="#">p6</a></p> <p><b>NiS:</b> Business principles and governance <a href="#">p19–24</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-35</b>	<p>Committees report to the Board, as per governance diagram:</p> <p><b>NiS:</b> Business principles and governance <a href="#">p20</a></p>				Yes, see assurance statement <a href="#">p295</a>

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-36</b>	Nestlé does not have a head of sustainability, rather sustainability is embedded in all functions. See governance diagram in G4-35 for reporting lines. <b>NiS:</b> Our governance and advisory structure <a href="#">p20–24</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-37</b>	<b>CGR:</b> Shareholder Participation <a href="#">p21</a> <b>NiS:</b> Stakeholder engagement > Stakeholder convenings <a href="#">p25</a> Consultation is often delegated, usually to Public Affairs, and feedback is through the relevant task forces and working groups, see: <b>NiS:</b> Business principles and governance > Our governance and advisory structure <a href="#">p20–24</a>				No
<b>G4-38</b>	<b>CGR:</b> Board of Directors <a href="#">p6–11</a>	<ul style="list-style-type: none"> <li>• Memberships of under-represented social groups</li> <li>• Competences relating to economic, environmental and social impacts</li> <li>• Stakeholder representation (incl shareholders)</li> </ul>	The information is subject to specific confidentiality constraints	Information not disclosed due to privacy concerns.	No
<b>G4-39</b>	<b>CGR:</b> Board of Directors <a href="#">p6–7</a>				No
<b>G4-40</b>	<b>NiS:</b> Our Governance and Advisory Structure <a href="#">p20–24</a> <b>CGR:</b> <a href="#">p13</a> , <a href="#">p49–52</a> Article 6 of the Articles of Association ( <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/articles-of-association-of-nestle-en.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/articles-of-association-of-nestle-en.pdf</a> ) state the extent of the involvement of shareholders in electing the highest governance body members. Read with section 3.4 (on <a href="#">p10</a> ) of CGR, Elections and terms of office, which states, “The Chairman of the Board of Directors, the members of the Board of Directors and the members of the Compensation Committee are elected individually by the General Meeting...”. The nomination process is managed by the nomination committee in accordance with its established procedures and criteria for the selection of board members. All elements are considered.				Yes, see assurance statement in CFS <a href="#">p136</a>
<b>G4-41</b>	<b>CGR:</b> 3 Board of Directors <a href="#">p6</a> <b>CGR:</b> 3.3 Mandates outside of Nestlé <a href="#">p11</a> <b>CGR:</b> Allocation of tasks within the Board of Directors <a href="#">p12–15</a> <b>CGR:</b> Article 21 sexes <a href="#">p55</a>				No
<b>G4-42</b>	<b>NiS:</b> Business principles and governance <a href="#">p19–24</a> The Executive Board sign off and approve updates of Nestlé’s purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.				No

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-43</b>	<p>Our executive board members do not receive separate formal training on CSV issues as CSV is embedded in our business management, and thus a core part of their role.</p> <p>To ensure all CSV issues are governed appropriately external experts in CSV issues are a part of our governance model, see:</p> <p><b>NiS:</b> Our governance and advisory structure &gt; Nestlé Creating Shared Value Council <a href="#">p21–22</a></p> <p><b>NiS:</b> Our governance and advisory structure &gt; The Nestlé Nutrition Council <a href="#">p23–24</a></p> <p>Many of our most senior people, including our Chairman, play a leading role in various multistakeholder initiatives relevant to CSV issues, such as the 2030 Water Resources Group (2030 WRG). See:</p> <p><b>AR:</b> Board of directors <a href="#">p56</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-44</b>	<p><b>CGR:</b> Principles of compensation for members of the Executive Board <a href="#">p28</a> and <a href="#">p29</a></p> <p><b>CGR:</b> Internal organisational structure <a href="#">p12</a> and <a href="#">p13</a></p> <p>Newly appointed Board members receive an appropriate introduction into the business and affairs of the Company and the Group. If required, the Nomination Committee arranges for further training. It reviews, at least annually, the independence of the members of the Board and it prepares the annual self-evaluation of the Board and its Committees. It oversees the long-term succession planning of the Board. The Company performs annual self-evaluation of the Board and its Committees including Confidential, anonymous feedback and individual interviews.</p>				No
<b>G4-45</b>	<p><b>AR:</b> Principal risks and uncertainties, Group risk management <a href="#">p51</a></p> <p><b>CGR:</b> Changes in the governance system in 2016 <a href="#">p28</a></p> <p><b>NiS:</b> Materiality <a href="#">p12–17</a></p> <p>Key risks are identified by ERM and Exec Board, and these are then matched with the risks identified through the materiality process, which incorporates stakeholder opinion.</p>				Yes, see assurance statement in CFS <a href="#">p136</a>
<b>G4-46</b>	<p><b>AR:</b> Principal risks and uncertainties, Group risk management <a href="#">p55</a></p> <p><b>CGR:</b> Changes in the governance system in 2016 <a href="#">p28</a></p>				Yes, see assurance statement in CFS <a href="#">p136</a>
<b>G4-47</b>	<p><b>AR:</b> Principal risks and uncertainties, Group risk management <a href="#">p55</a></p>				Yes, see assurance statement in CFS <a href="#">p136</a>
<b>G4-48</b>	<p>The full Creating Shared Value report is signed off by Janet Voûte, Vice President, Global Head of Public Affairs, and Eugenio Simioni, Corporate Communications Director.</p> <p>The printed Nestlé in society – Creating Shared Value and meeting our commitments 2015 was reviewed by the CEO and Chairman.</p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-49</b>	<p><b>AR:</b> Principal risks and uncertainties, Group risk management <a href="#">p51</a></p> <p><b>HRC:</b> Compliance: Tell us – our external compliance reporting system <a href="#">p245</a></p> <p><b>NiS:</b> Business principles and governance &gt; Our governance and advisory structure <a href="#">p20–24</a></p> <p>Critical concerns are reported through the compliance committee (which is a sub-committee of the Executive Board).</p>				Yes, see assurance statement in CFS <a href="#">p136</a>

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-50</b>	<b>AR:</b> Compliance <a href="#">p60</a> <b>HRC:</b> Compliance > Reporting of compliance violations <a href="#">p244–246</a> The Print report goes to the NiS Board.	Indicator omitted.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	No
<b>G4-51</b>	<b>CGR:</b> Compensation report <a href="#">p27–43</a> Creating Shared Value issues (covering economic, environmental and social criteria) are included in the company's business plans. Senior executives are assessed against the business plans.				No
<b>G4-52</b>	<b>CGR:</b> Compensation report <a href="#">p27–44</a>				No
<b>G4-53</b>	<b>CGR:</b> Compensation report <a href="#">p27–44</a> In regards executive compensation we have identified our shareholders as the key stakeholders for this issue. The Board of Directors solicits feedback from investors annually on the compensation system and follows a strategy of continuous improvement with respect to investor concerns and transparency. As from 2015, shareholders will approve the total compensation of the Supervisory Board and the Management Board in a binding vote in accordance with the new Articles of Association adopted on April 10, 2014.				No
<b>G4-54</b>	The median of the total annual compensation of all employees, except the CEO is CHF 48782.09. The total annual compensation of the CEO is CHF 9067949 in 2015. The ratio of the annual median employee compensation to the total annual CEO compensation is: 185.88. Accompanying notes: For total 2015 CEO compensation please see p42: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corp_governance_report_2015_en.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corp_governance_report_2015_en.pdf</a> Median is estimate based on Company total worldwide salaries and welfare expenses of CHF 16342 million and average number of employees of close to 335000 - see p93 of the Financial Statements 2015. <a href="http://www.nestle.com/asset-library/documents/library/documents/financial_statements/2015-financial-statements-en.pdf">http://www.nestle.com/asset-library/documents/library/documents/financial_statements/2015-financial-statements-en.pdf</a> The ratio of the annual median employee compensation and the total annual CEO compensation is distorted due to worldwide salary difference. The Board of Directors solicits feedback from investors annually on the compensation system and follows a strategy of continuous improvement with respect to investor concerns and transparency. As from 2015, shareholders will approve the total compensation of the Supervisory Board and the Management Board in a binding vote in accordance with the new Articles of Association adopted on 10 April 2014.	Breakdown by zone.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	No

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-55</b>	<p><b>CGR:</b> Compensation report <a href="#">p27</a> onwards</p> <p>The ratio of the annual total compensation percentage increase of the CEO (the highest paid individual) to the median annual total compensation increase for all employees is -0.64.</p> <p>Accompanying notes: The percentage difference in the CEO's compensation between 2015 and 2014 is -2.24%. The percentage difference in median employee compensation between 2015 and 2014 is 3.5%. Thus, the ratio between the increase in the CEO compensation and median employee compensation is -0.64.</p> <p>For total 2015 CEO compensation and for details on the types of compensation included in the calculation please see: CGR: <a href="#">p42</a>.</p> <p>The median compensation per employee is an estimate based on the company's total worldwide salaries divided by the total number of employees in each reported year. See <a href="#">p93</a> of the 2015 CFS. For the total number of employees, see <a href="#">p39</a> of the AR.</p> <p>The ratio of the annual median employee compensation and the total annual CEO compensation is distorted due to worldwide salary difference.</p>	Country breakdown and the ratio percentage increase in annual compensation for the CEO to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual in the same country)	The information is currently unavailable	As this is our global report, we have provided the ratio of the percentage increase between the CEO and the median compensation of our employees worldwide between 2014 and 2013. We have not provided a country level breakdown as that is outside the scope of our global report. Moreover, the disclosure of the CEO, members of the Board of Directors and total compensation of the Executive Board is based on Swiss legal requirements and Swiss Code of Best Practices for Corporate Governance as duly stated in the CGR ( <a href="#">p32</a> ), and does not break down the information by country.	No
<b>Ethics and Integrity</b>					
<b>G4-56</b>	<p><b>NiS:</b> Business principles and governance &gt; The Nestlé <i>Corporate Business Principles</i> <a href="#">p19</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Our policies and standards <a href="#">p225</a></p> <p><b>HRC:</b> Anti-corruption and privacy &gt; Anti-corruption <a href="#">p247-248</a></p> <p><b>OP:</b> Our role with our people &gt; Our policies and standards <a href="#">p258-259</a></p> <p><b>AR:</b> Compliance <a href="#">p60</a></p> <p>The Nestlé <i>Corporate Business Principles</i> have been translated into over 50 languages, see: <a href="http://www.nestle.com/aboutus/businessprinciples/businessprinciples">http://www.nestle.com/aboutus/businessprinciples/businessprinciples</a></p> <p>The Nestlé Code of Business Conduct is available in English, French, German and Spanish, see: <a href="http://www.nestle.com/aboutus/businessprinciples/code-of-business-conduct">http://www.nestle.com/aboutus/businessprinciples/code-of-business-conduct</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-57</b>	<p><b>HRC:</b> Compliance &gt; Reporting of compliance violations <a href="#">p244</a></p> <p><b>HRC:</b> Compliance &gt; The Nestlé Integrity Reporting System (internal) <a href="#">p244</a></p> <p><b>HRC:</b> Compliance &gt; Tell us – our external compliance reporting system <a href="#">p245</a></p> <p>The Nestlé Integrity Reporting System and 'Tell us' are managed globally and are independent of Nestlé markets. The 'Tell us' system is managed independently by a third party and is available 365 days a year, 24 hours a day. Both systems are anonymous.</p>	Total number of requests for advice received during the reporting period through the organisation's mechanisms for seeking advice.	Data unavailable.	Data is not available for the IRS system. However there were 4 requests for seeking advice via the 'Tell us' system.	Yes, see assurance statement <a href="#">p295</a>

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-58</b>	<p>Management of Nestlé’s internal and external mechanisms for reporting concerns about unethical or unlawful behaviour is the responsibility of the compliance team, see:  <b>HRC:</b> Compliance &gt; Reporting of compliance violations <a href="#">p244</a>  <b>HRC:</b> Compliance &gt; The Nestlé Integrity Reporting System (internal) <a href="#">p244</a>  <b>HRC:</b> Compliance &gt; Tell us – our external compliance reporting system <a href="#">p245</a>  <a href="http://www.nestle.com/investors/corporate-governance/codeofbusinessconduct">http://www.nestle.com/investors/corporate-governance/codeofbusinessconduct</a></p> <p>The Nestlé Integrity Reporting System and ‘Tell us’ are managed globally and are independent of Nestlé markets. The ‘Tell us’ system is managed independently by a third party and is available 365 days a year, 24 hours a day. Both systems are anonymous.</p>				Yes, see assurance statement <a href="#">p295</a>

## SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Economic</b>					
<b>Material aspect: Economic performance</b>					
<b>G4-DMA</b>	<p><b>AR:</b> Letter to Shareholders <a href="#">p2</a>  <b>NiS:</b> A message from our Chairman and our CEO <a href="#">p7–8</a>  <b>NiS:</b> Creating Shared Value: a long-term perspective <a href="#">p9–11</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EC1</b>	<p>This has been reviewed, and the predominant spending is on Healthy Kids. Data is collected across Nestlé markets for this. Total approximate spending on Nestlé Healthy Kids Programme in 2015: CHF 15 million.</p> <p><b>CFS:</b> Consolidated income statement <a href="#">p60</a>  <b>NiS:</b> Creating Shared Value: a long-term perspective <a href="#">p9–11</a>  <b>NHW:</b> Nutrition education: promoting healthier habits &gt; Nestlé Healthy Kids <a href="#">p61–63</a>  <b>RD:</b> Rural Development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework <a href="#">p96–99</a>  <b>HRC:</b> Taxation &gt; Nestlé effective tax rate and tax payments <a href="#">p249</a></p>	<p>b. To better assess local economic impacts, report EVG&amp;D separately at country, regional, or market levels, where significant.</p> <p>Report the criteria used for defining significance.</p>	<p>The Standard Disclosure or part of the Standard Disclosure is not applicable</p>	<p>Part b. is not applicable’ as this is a report on global operations and is not reporting at a country level.</p>	No
<b>G4-EC2</b>	<p><b>ES:</b> Providing climate change leadership <a href="#">p207–220</a>  <b>ES:</b> Providing climate change leadership: Adapting to climate change <a href="#">p213–214</a>            CDP 2014 Investor submission (CC5.1), Module: Risks and Opportunities p45–96. CDP submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a>            (Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link).</p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EC3</b>	<b>CFS:</b> Employee benefit liabilities <a href="#">p93</a> <b>CFS:</b> Post-employment benefits <a href="#">p93</a> <b>CFS:</b> Employee benefits <a href="#">p93</a>	d. Report the percentage of salary contributed by employee or employer. e. Report the level of participation in retirement plans (such as participation in mandatory or voluntary schemes, regional or country-based schemes, or those with financial impact).	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement in CFS <a href="#">p136</a>
<b>G4-EC4</b>	Based on existing information, we do not receive significant financial assistance from government that would materially affect our position. There is no government present in the shareholding structure.				No
<b>Material aspect: Market presence</b>					
<b>G4-DMA</b>	Our global presence has a significant impact on local economies, employment both directly and in our supply chain. Moreover, our global presence enables us to achieve our goal of being the leading nutrition, health and wellness company, see: <b>AR:</b> Sales by geographic area <a href="#">p41</a> <b>CFS:</b> Analysis by Segment <a href="#">p74–81</a> <b>OP:</b> Labour relations > Our workforce > Delivering a living wage <a href="#">p275</a>				No
<b>G4-EC5</b>		Indicator omitted	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	No
<b>G4-EC6</b>	Nestlé have identified that the proportion of native employees at management levels in developing countries lags behind that of more developed countries, and it is these countries that are considered significant locations of operation for this data tracking, see: <b>OP:</b> Developing people <a href="#">p285–292</a> For the purposes of this indicator senior management is defined as Nestlé in Market Management Committee level in each of the markets.				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Indirect economic impacts</b>					
<b>G4-DMA</b>	<b>RD:</b> Our role in rural development and responsible sourcing > Material Issues <a href="#">p92–93</a> <b>RD:</b> Our role in rural development and responsible sourcing > Governance and management systems <a href="#">p93–94</a> <b>RD:</b> Rural development > The Rural Development Framework <a href="#">p96–99</a> <b>RD:</b> Farmer Connect and direct sourcing operations <a href="#">p100–104</a> As a global company, we recognise that we have significant indirect economic impacts across our value chain. Our CSV strategy and management approach for managing our indirect economic impacts both positive and negative is focused on the millions of farmers and local communities around the world who depend on our business for their livelihoods.				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EC7</b>	Our most material infrastructure investment is our Healthy Kids programme. Data is collected across Nestlé markets for this and the total spending on Nestlé Healthy Kids Programme in 2015 is approximately: CHF 15 million. <b>NHW:</b> Nutrition education: promoting healthier habits <a href="#">p60–66</a> <b>RD:</b> Rural development > The Rural Development Framework > Delivering the Rural Development Framework <a href="#">p96–99</a> <b>RD:</b> Our priority sourcing categories <a href="#">p112–136</a>	c. Report whether these investments and services are commercial, in-kind, or pro bono engagements.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-EC8</b>	<b>NiS:</b> Our CSV performance <a href="#">p5–6</a> <b>RD:</b> Rural development > The Rural Development Framework > Delivering the Rural Development Framework <a href="#">p96–99</a> <b>RD:</b> Coffee > <i>Nespresso</i> AAA Sustainable Quality™ Program > Reviving coffee production in South Sudan <a href="#">p121</a>				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Procurement practices</b>					
<b>G4-DMA</b>	<b>NiS:</b> Business principles and governance > The Nestlé <i>Corporate Business Principles</i> <a href="#">p19</a> <b>RD:</b> Our role in rural development and responsible sourcing <a href="#">p91</a> <b>RD:</b> Our role in rural development and responsible sourcing > Material issues <a href="#">p92–93</a> <b>RD:</b> Our role in rural development and responsible sourcing > Governance and management systems <a href="#">p93–94</a> <b>RD:</b> Our role in rural development and responsible sourcing > Our policies and standards <a href="#">p94</a> <b>RD:</b> Our role in rural development and responsible sourcing > Our commitments <a href="#">p93</a> <b>RD:</b> Rural development > The Rural Development Framework > Delivering the Rural Development Framework <a href="#">p96–99</a> <b>RD:</b> Responsible sourcing through our procurement activities > Implementing Responsible sourcing <a href="#">p105</a> <b>RD:</b> Our priority sourcing categories <a href="#">p112–136</a> <b>RD:</b> Our priority sourcing categories > Coffee > <i>Nespresso</i> AAA Sustainable Quality™ Program <a href="#">p119–121</a> <b>RD:</b> Our priority sourcing categories > Dairy > Fresh milk: Our ‘milk district’ model > Creating Shared Value in milk districts <a href="#">p126</a> <b>RD:</b> Our priority sourcing categories > Palm oil <a href="#">p128–129</a> <b>RD:</b> Our priority sourcing categories > Pulp and paper <a href="#">p130–131</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EC9</b>	<b>RD:</b> Rural Development > The Rural Development Framework > Delivering the Rural Development Framework <a href="#">p96–99</a> <b>RD:</b> Rural Development > The Rural Development Framework > Delivering the Rural Development Framework > 1. Farm economics <a href="#">p97</a> <b>RD:</b> Our role in rural development and responsible sourcing <a href="#">p91–95</a> <b>RD:</b> Our role in rural development and responsible sourcing > Our policies and standards <a href="#">p94</a>	Indicator omitted.	The information is currently unavailable	Data not available. Although we source products locally where possible, as demonstrated by our Farmer Connect programme, due to the global nature of our supply chain and the types of products we source, our ability to track procurement spend locally is limited.	No

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP1	RD: Responsible sourcing through our procurement activities > Tier 1 auditing > The results <a href="#">p108</a>	Identify the purchased volume from each compliant supplier	The information is subject to specific confidentiality constraints	The breakdown by volume is unavailable due to commercial confidentiality concerns. We do publish the percentage of suppliers and volume that are compliant.	Yes, see assurance statement <a href="#">p295</a>
FP2	RD: Our priority sourcing categories > Cocoa > The Nestlé Cocoa Plan <a href="#">p121–124</a> RD: Our priority sourcing categories > Palm oil > Verification and certification <a href="#">p128–129</a> RD: Our priority sourcing categories > Pulp and paper > Verification and certification <a href="#">p130</a> RD: Our priority sourcing categories > Soya > Verification and certification <a href="#">p131</a> RD: Our priority sourcing categories > Sugar > Verification and certification <a href="#">p131–132</a> RD: Our priority sourcing categories > Sugar > Traceability in the supply chain <a href="#">p132</a> RD: Our priority sourcing categories > Fish and seafood > Verification and certification <a href="#">p135</a> Nestlé Responsible Sourcing Guideline: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf</a>	2.5 Calculate the percentage of purchased volume which is verified as being in accordance with standards identified in 2.2 by using the following equation: Purchased volume calculated in 2.4 = Total purchased volume Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards x 100. 2.6 Report the percentage calculated in 2.5 broken down by the credible, internationally recognized responsible production standards identified in 2.2 and broken down by origin identified in 2.1.	The information is subject to specific confidentiality constraints	We provide information on spend and some volumes purchased to give a representation of scale, but are unable to report the details due to commercial sensitivities and traceability. We give information by region where possible. 38% of key commodities are currently traceable.	Materials excluded from assurance scope: dairy ingredients, hazelnuts, and percentage of RSPO-certified palm oil. For remaining materials, refer to assurance statement <a href="#">p295</a>
<b>Environmental</b>					
<b>Material aspect: Materials</b>					
G4-DMA	ES: Our role in environmental sustainability <a href="#">p168–175</a> ES: Our role in environmental sustainability > Material issues <a href="#">p169–170</a> ES: Our role in environmental sustainability > Governance and management systems <a href="#">p171</a> ES: Our role in environmental sustainability > Our policies and standards <a href="#">p171</a> ES: Our role in environmental sustainability > Our commitments <a href="#">p170</a> ES: Managing environmental sustainability > The environmental life-cycle of products <a href="#">p176–177</a> ES: Raw materials <a href="#">p179–181</a> The Nestlé Policy on Environmental Sustainability ( <a href="http://www.nestle.com/asset-library/documents/library/documents/environmental_sustainability/nest%C3%A9%20policy%20on%20environmental%20sustainability.pdf">http://www.nestle.com/asset-library/documents/library/documents/environmental_sustainability/nest%C3%A9%20policy%20on%20environmental%20sustainability.pdf</a> )				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN1</b>	<p><b>ES:</b> Our role in environmental sustainability &gt; The Nestlé Environmental Management System &gt; Sharing our progress <a href="#">p174–175</a></p> <p><b>ES:</b> Raw materials <a href="#">p179</a></p> <p><b>ES:</b> Protecting and enhancing biodiversity &gt; Sourcing raw materials <a href="#">p218</a></p> <p><b>ES:</b> Packaging &gt; Development and use of renewable materials <a href="#">p186–187</a></p> <p>See 2015 Consolidated Nestlé Performance Indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN2</b>	<p>The most material area for Nestlé to measure the percentage of recycled input is packaging, for which the following information is available: 28.1% of 5.3 mio tonnes of packaging material is recycled, which is 1.49 mio tonnes, and this is 4.9% of the total materials used (30.3 mio tonnes).</p> <p><b>ES:</b> Packaging &gt; Optimising weight and volume <a href="#">p186</a></p> <p><b>ES:</b> Packaging &gt; Recovering used packaging &gt; Using recycled materials <a href="#">p190–191</a></p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Energy</b>					
<b>G4-DMA</b>	<p><b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Material issues <a href="#">p169–170</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Governance and management systems <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our commitments <a href="#">p170</a></p> <p><b>ES:</b> Managing environmental sustainability &gt; The environmental life-cycle of products <a href="#">p176–177</a></p> <p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p><b>ES:</b> Providing climate change leadership <a href="#">p207–220</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN3</b>	<p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p>See our CDP 2015 Investor submission: CDP submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>	<p>c. Report in joules, watt-hours or multiples, the total:</p> <ul style="list-style-type: none"> <li>• Cooling consumption</li> </ul> <p>d. Report in joules, watt-hours or multiples, the total:</p> <ul style="list-style-type: none"> <li>• Electricity sold</li> <li>• Heating sold</li> <li>• Cooling sold</li> <li>• Steam sold</li> </ul>	<p>Part of the Standard Disclosure is not applicable</p>	<p>We use cooling in our factories but it is not purchased. It is generated out of the energies we purchase (fuels, electricity) that are already disclosed. We do not track at corporate level how much cooling we generate out of the energy we consume as this is not material to us.</p> <p>Nestlé sell a small amount of energy (and this sold energy is excluded from our energy consumption) but the quantity is not sufficient to be a material indicator for us. Note that the GHG emissions related to the production of this sold energy are included in our scope 1 emissions.</p>	Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN4</b>	<p><b>ES:</b> Our role in environmental sustainability &gt; The Nestlé Environmental Management System &gt; Sharing our progress <a href="#">p174</a></p> <p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p>See our CDP 2015 Investor submission for standards, methodologies and assumptions used and the source of conversion factors used p185: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2015.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2015.pdf</a></p>	Data for energy use for suppliers and customers.	The information is currently unavailable	We do not currently collect or estimate the amount of energy used by our suppliers and customers. We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN5</b>	<p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p>Boundaries for the calculation: Factories (within the organisation)</p> <p>Total energy consumption = Direct energy + intermediate energy</p> <p>Intermediate energy = grid electricity + green power + steam purchased + hot water purchased</p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN6</b>	<p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p>See our CDP 2015 Investor submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p> <p>Definitions and Comments on 2015 Consolidated Nestlé Environmental Performance Indicators: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN7</b>	<p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p>The rationale for the baseline is to have a 10-year period with a target year within manageable cycles.</p> <p>See our CDP 2015 Investor submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Water</b>					
<b>G4-DMA</b>	<p><b>W:</b> Our role in water stewardship <a href="#">p138–143</a></p> <p><b>W:</b> Our role in water stewardship &gt; Material issues <a href="#">p139</a></p> <p><b>W:</b> Our role in water stewardship &gt; Governance and management systems <a href="#">p140</a></p> <p><b>W:</b> Our role in water stewardship &gt; Our policies and standards <a href="#">p140–141</a></p> <p><b>W:</b> Our role in water stewardship &gt; Our commitments <a href="#">p139–140</a></p> <p><b>W:</b> Our role in water stewardship &gt; Understanding and managing our impacts <a href="#">p141</a></p> <p><b>W:</b> Water in our operations <a href="#">p144–148</a></p> <p><b>W:</b> Public policy advocacy and collective action <a href="#">p149–152</a></p> <p>Nestlé commitment on Water Stewardship: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN8</b>	<p><b>W:</b> Our role in water stewardship &gt; Understanding and managing our impacts <a href="#">p141</a></p> <p>CDP Water 2015 Investor submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN9</b>	<p><b>W:</b> Water in our operations &gt; Water saving projects at high-priority sites <a href="#">p147</a></p> <p>CDP Water 2015 Investor submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p>	Total number of water sources significantly affected by withdrawal type should be reported (size of waters source; designated protected area; biodiversity value; value or importance to local community).	The information is currently unavailable	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre, and our target is to include this in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN10</b>	<p><b>W:</b> Water in our operations: Achieving water efficiency and sustainability: Reducing water withdrawals <a href="#">p145</a></p> <p>CDP Water 2015 Investor submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p>				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Biodiversity</b>					
<b>G4-DMA</b>	<p><b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Material issues <a href="#">p169–170</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Governance and management systems <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our commitments <a href="#">p170</a></p> <p><b>ES:</b> Managing environmental sustainability &gt; The environmental life-cycle of products <a href="#">p176–177</a></p> <p><b>ES:</b> Protecting and enhancing biodiversity <a href="#">p216–217</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN11</b>	<p><b>ES:</b> Protecting and enhancing biodiversity &gt; Sourcing raw materials &gt; Improvement programmes at our factories <a href="#">p218–219</a></p> <p><b>W:</b> Water in our operations &gt; Achieving water efficiency and sustainability &gt; Water Resource Reviews <a href="#">p146–147</a></p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>	<p>a. Report the following information for each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas:</p> <ul style="list-style-type: none"> <li>• Geographic location</li> <li>• Subsurface and underground land that may be owned, leased, or managed by the organization</li> <li>• Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas – this is not reported per site</li> <li>• Size of operational site in km<sup>2</sup> – this is not reported per site</li> <li>• Biodiversity value characterized by: legally protected and water stress areas - this is not reported per site</li> </ul>	The information is currently unavailable	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre, and our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN12</b>	<p><b>ES:</b> Protecting and enhancing biodiversity <a href="#">p216–217</a></p> <p><b>ES:</b> Protecting and enhancing biodiversity &gt; Improvement programmes at our factories <a href="#">p218–219</a></p> <p><b>ES:</b> Protecting and enhancing biodiversity &gt; Sourcing raw materials <a href="#">p218</a></p> <p><b>ES:</b> Protecting and enhancing biodiversity &gt; Supporting public policy <a href="#">p219–220</a></p> <p><b>RD:</b> Our priority sourcing categories &gt; Pulp and paper <a href="#">p130–131</a></p> <p><b>RD:</b> Our priority sourcing categories &gt; Soya <a href="#">p131</a></p>	<p>b. Report significant direct and indirect positive and negative impacts with reference to the following:</p> <ul style="list-style-type: none"> <li>• Species affected</li> <li>• Extent of areas impacted</li> <li>• Duration of impacts</li> <li>• Reversibility or irreversibility of the impacts</li> </ul>	The information is currently unavailable	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre, and our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN13</b>	<p><b>ES:</b> Protecting and enhancing biodiversity <a href="#">p216</a>  <b>ES:</b> Protecting and enhancing biodiversity &gt; Sourcing raw materials &gt; Improvement programmes at our factories <a href="#">p218–219</a>  <b>W:</b> Water in our operations &gt; Achieving water efficiency and sustainability &gt; Water Resource Reviews <a href="#">p146–147</a></p>	<p>a. Report the size of all habitat protected areas or restored areas.  c. Report on the status of each area based on its condition at the close of the reporting period.  d. Report standards, methodologies, and assumptions used.</p>	The information is currently unavailable.	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre, and our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN14</b>		Indicator omitted.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	No
<b>Material aspect: Emissions</b>					
<b>G4-DMA</b>	<p><b>ES:</b> Our role in environmental sustainability <a href="#">p168</a>  <b>ES:</b> Our role in environmental sustainability &gt; Material issues <a href="#">p169–170</a>  <b>ES:</b> Our role in environmental sustainability &gt; Governance and management systems <a href="#">p171</a>  <b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards <a href="#">p171</a>  <b>ES:</b> Our role in environmental sustainability &gt; Our commitments <a href="#">p170</a>  <b>ES:</b> Managing environmental sustainability &gt; The environmental life-cycle of products <a href="#">p176–177</a>  <b>ES:</b> Providing climate change leadership <a href="#">p207–220</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN15</b>	<p><b>ES:</b> Our role in environmental sustainability &gt; The Nestlé Environmental Management System &gt; Sharing our progress <a href="#">p174</a>  <b>ES:</b> Providing climate change leadership &gt; Reducing GHG emissions <a href="#">p208–211</a>  See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>  Definitions and Comments on 2015 Consolidated Nestlé Environmental Performance Indicators: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf</a>  The following are in Nestlé's CDP submission:  e. Report standards, methodologies, and assumptions used.  f. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source.  CDP submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a>  (Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
G4-EN16	<p><b>ES:</b> Our role in environmental sustainability &gt; The Nestlé Environmental Management System &gt; Sharing our progress <a href="#">p174</a></p> <p><b>ES:</b> Providing climate change leadership &gt; Reducing GHG emissions <a href="#">p208–211</a></p> <p>GWP rates are reported in the CDP submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>Definitions and Comments on 2015 Consolidated Nestlé Environmental Performance Indicators: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf</a></p>				Yes, see assurance statement <a href="#">p295</a>
G4-EN17	<p><b>ES:</b> Providing climate change leadership &gt; Our approach &gt; Reporting <a href="#">p208</a></p> <p><b>ES:</b> Providing climate change leadership &gt; Reducing GHG emissions <a href="#">p208–211</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p295</a>
G4-EN18	<p><b>ES:</b> Providing climate change leadership &gt; Reducing GHG emissions &gt; Direct emissions <a href="#">p209</a></p> <p>See our CDP submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>Definitions and Comments on 2015 Consolidated Nestlé Environmental Performance Indicators: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf</a></p>				Yes, see assurance statement <a href="#">p295</a>
G4-EN19	<p><b>ES:</b> Providing climate change leadership &gt; Switching to renewable energy <a href="#">p210</a></p> <p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p><b>ES:</b> Transportation and distribution &gt; Reducing emissions from transport and distribution <a href="#">p193-195</a></p> <p><b>ES:</b> Transportation and distribution &gt; Optimising vehicle capacity utilisation <a href="#">p193–194</a></p> <p><b>ES:</b> Transportation and distribution &gt; Improving our warehousing <a href="#">p196</a></p> <p>See our CDP Investor submission for standards, methodologies and assumptions used and the source of conversion factors used. CDP submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>Definitions and comments on Environmental Performance Indicators 2015: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN20</b>	<p><b>ES:</b> Providing climate change leadership &gt; Reducing GHG emissions <a href="#">p208–211</a></p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p> <p>Definitions and Comments on 2015 Consolidated Nestlé Environmental Performance Indicators: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf</a></p> <p>CDP submission found on <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a></p> <p>(Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link)</p> <p>The following substances are included in the calculation:</p> <ul style="list-style-type: none"> <li>Blends – Azeotropes</li> <li>Cyclic Organic Compounds</li> <li>Ethane Series</li> <li>Ethers</li> <li>Inorganic Compounds</li> <li>Methane Series</li> <li>Miscellaneous Organic Compounds</li> <li>Propane</li> <li>Unsaturated Organic Compounds</li> </ul>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN21</b>	<p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p>CDP 2015 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2015.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2015.pdf</a></p> <p>Definitions and Comments on 2015 Consolidated Nestlé Environmental Performance Indicators: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definition-and-comments-on-2015-cnepi.pdf</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Effluents and waste</b>					
<b>G4-DMA</b>	<p><b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a></p> <p><b>ES:</b> Managing environmental sustainability &gt; The environmental life cycle of products <a href="#">p176–177</a></p> <p><b>ES:</b> Waste and recovery <a href="#">p201–206</a></p> <p><b>W:</b> Water treatment and quality <a href="#">p153–155</a></p> <p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN22</b>	<p><b>W:</b> Water treatment and quality <a href="#">p153–155</a> CDP Water Investor submission found on p8–9 <a href="http://www.nestle.com/csv/performance/external-assessments">http://www.nestle.com/csv/performance/external-assessments</a> (Due to different reporting timings the CDP submission available at time of publication is for the previous year. The latest CDP submission will be available on publication using the above link) See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a> Nestlé measure the wastewater sent for irrigation, which may be considered as reused by another organization, see Consolidated Nestlé performance indicators.</p>	Differentiation between planned and unplanned water discharge.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN23</b>	<p><b>ES:</b> Waste and recovery &gt; Waste for disposal <a href="#">p201</a> <b>ES:</b> Waste and recovery &gt; Towards zero waste for disposal <a href="#">p201</a> The waste disposal method was determined as follows: Disposed of directly by Nestlé: 264 631 tonnes Information provided by waste disposal contractor: 1 234 032 tonnes Organisational defaults of waste disposal contractor: 248 799 tonnes Data not available: 15 587 tonnes See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN24</b>	<p>There were no significant spills in 2015 See 2015 Nestlé Consolidated Environmental Performance Indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN25</b>		The Standard Disclosure.	The Standard Disclosure is not applicable	Nestlé do not transport or treat any waste relevant under the terms of the Basel Convention Annex I, II, III and VIII.	No
<b>G4-EN26</b>	<p><b>ES:</b> Protecting and enhancing biodiversity &gt; Improvement programmes at our factories <a href="#">p218–219</a></p>	Size of water body and related habitat, designated as a protected area, and biodiversity value (such as total number of protected species).	The information is currently unavailable.	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre, and our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Products and services</b>					
<b>G4-DMA</b>	<p><b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a> <b>ES:</b> Our role in environmental sustainability &gt; Material issues <a href="#">p169–170</a> <b>ES:</b> Our role in environmental sustainability &gt; Governance and management systems <a href="#">p171</a> <b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards <a href="#">p171</a> <b>ES:</b> Our role in environmental sustainability &gt; Our commitments <a href="#">p170</a> <b>ES:</b> Managing environmental sustainability &gt; The environmental life-cycle of products <a href="#">p176–177</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN27</b>	<p><b>ES:</b> Managing environmental sustainability &gt; The environmental life-cycle of products <a href="#">p176–177</a></p> <p><b>ES:</b> Managing environmental sustainability &gt; Identifying and addressing environmental hotspots <a href="#">p177</a></p> <p><b>ES:</b> Managing environmental sustainability &gt; Sustainability by Design <a href="#">p177–178</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN28</b>	<p><b>ES:</b> Packaging &gt; Our approach <a href="#">p185</a></p> <p><b>ES:</b> Packaging &gt; Recovering used packaging <a href="#">p187–192</a></p>	a. Report the percentage of reclaimed products and their packaging materials for each product category.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>

**Material aspect: Compliance**

<b>G4-DMA</b>	<p>Compliance is the basis of everything we do and is essential to the licence to operate, see:</p> <p><b>NiS:</b> Creating Shared Value: a long-term perspective <a href="#">p9–11</a></p> <p><b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Material issues <a href="#">p169–170</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Governance and management systems <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our commitments <a href="#">p170</a></p> <p><b>ES:</b> Manufacturing &gt; Our approach <a href="#">p182</a></p> <p><b>HRC:</b> Compliance &gt; The CARE audit programme <a href="#">p246</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN29</b>	<p>See 2015 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p> <p>There were:</p> <p>6 non-monetary sanctions.</p> <p>10 cases involved dispute resolution mechanisms.</p>				Yes, see assurance statement <a href="#">p295</a>

**Material aspect: Transport**

<b>G4-DMA</b>	<p><b>NiS:</b> Creating Shared Value: a long-term perspective <a href="#">p9–11</a></p> <p><b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Material issues <a href="#">p169–170</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Governance and management systems <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our commitments <a href="#">p170</a></p> <p><b>ES:</b> Transport and distribution <a href="#">p193–196</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN30</b>	<p>Transportation was an identified sub-issue for resource efficiency and waste as part of our materiality analysis, see:</p> <p><b>NiS:</b> Materiality <a href="#">p12</a> and <a href="#">p15</a></p> <p><b>ES:</b> Transport and distribution <a href="#">p193–196</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Overall</b>					
<b>G4-DMA</b>	<p><b>NiS:</b> Creating Shared Value: a long-term perspective <a href="#">p9–11</a></p> <p><b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Material issues <a href="#">p169–170</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Governance and management systems <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our commitments <a href="#">p170</a></p> <p><b>ES:</b> Manufacturing &gt; Reducing our energy consumption <a href="#">p183–184</a></p> <p><b>W:</b> Water in our operations <a href="#">p144–148</a></p>	Management of expenditure.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN31</b>	<b>ES:</b> Managing environmental sustainability <a href="#">p176–178</a>	a. Report total environmental protection expenditures by:	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
		<ul style="list-style-type: none"> <li>• Waste disposal, emissions treatment, and remediation costs</li> <li>• Prevention and environmental management costs</li> </ul>			
<b>Material aspect: Supplier environmental assessment</b>					
<b>G4-DMA</b>	<p>All Nestlé suppliers are required to adhere to the Nestlé Supplier code (that includes environmental, societal, labour and human rights criteria), and are audited for compliance against the code as part of an ongoing process. If any instances of non-compliance are found corrective action plans are put in place to resolve the issues. Termination of a relationship with a supplier only occurs if they refuse to comply with the audit process, and is only undertaken as a last resort. See:</p> <p><b>RD:</b> Responsible sourcing through our procurement activities &gt; Tier 1 auditing &gt; The results <a href="#">p108</a></p> <p><b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Material issues <a href="#">p169–170</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Governance and management systems <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our policies and standards <a href="#">p171</a></p> <p><b>ES:</b> Our role in environmental sustainability &gt; Our commitments <a href="#">p170</a></p> <p><b>ES:</b> Protecting and enhancing biodiversity &gt; Sourcing raw materials <a href="#">p218</a></p> <p><b>ES:</b> Packaging &gt; Using recycled materials <a href="#">p190–191</a></p> <p><b>RD:</b> Responsible sourcing through our procurement activities <a href="#">p105–111</a></p> <p><b>RD:</b> Responsible sourcing through our procurement activities &gt; Implementing responsible sourcing <a href="#">p105</a></p> <p><b>RD:</b> Our priority sourcing categories <a href="#">p112–136</a></p> <p>Nestlé Responsible Sourcing Guideline: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN32</b>	Suppliers are audited against the Nestlé Supplier Code as part of an ongoing audit programme, see: <b>RD:</b> Responsible sourcing > Implementing responsible sourcing <a href="#">p105–107</a> All new suppliers are screened as part of our Tier 1 audits, see: <b>RD:</b> Responsible sourcing through our procurement activities > Tier 1 auditing <a href="#">p107</a> <b>RD:</b> Responsible sourcing through our procurement activities > Traceability and assessments > Issues in traceability and supply chain mapping <a href="#">p111</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-EN33</b>	<b>RD:</b> Responsible sourcing through our procurement activities > Tier 1 auditing <a href="#">p107–108</a> <b>RD:</b> Responsible sourcing through our procurement activities > Traceability and assessment > Issues in traceability and supply chain mapping <a href="#">p111</a> <b>RD:</b> Our priority sourcing categories <a href="#">p112–136</a>	b. Report the number of suppliers identified as having significant actual and potential negative environmental impacts. d. Report the percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment. e. Report the percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Environmental grievance mechanisms</b>					
<b>G4-DMA</b>	<b>RD:</b> Responsible sourcing through our procurement activities > Implementing responsible sourcing <a href="#">p105</a> <b>ES:</b> Our role in environmental sustainability <a href="#">p168–175</a> <b>HRC:</b> Compliance > Reporting of compliance violations > Tell us – our external compliance reporting system <a href="#">p245</a>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN34</b>	In 2015 we had 3 grievances that involved a dispute resolution mechanism.	<p>b. Of the identified grievances, report how many were:</p> <ul style="list-style-type: none"> <li>• Addressed during the reporting period</li> <li>• Resolved during the reporting period</li> </ul> <p>c. Report the total number of grievances about environmental impacts filed prior to the reporting period that were resolved during the reporting period.</p>	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Social</b>					
<b>Labor Practices and Decent Work</b>					
<b>Material aspect: Employment</b>					
<b>G4-DMA</b>	<p>Illegal working from home was not identified as a material risk within our supply chain. Our materiality process and supply chain audits have identified child labour as the main risk within our agricultural supply chain, and thus we manage and report on our efforts to address this risk across our supply chain.</p> <p><b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a></p> <p><b>OP:</b> Our role with our people <a href="#">p255–260</a></p> <p><b>OP:</b> Our role with our people &gt; Material Issues <a href="#">p257</a></p> <p><b>OP:</b> Labour relations &gt; Our workforce <a href="#">p274–275</a></p>	Aspect-specific Guidance for G4-DMA-b.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-LA1</b>	<b>OP:</b> Diversity > Enhancing diversity in our workforce <a href="#">p274–275</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-LA2</b>	<p><b>OP:</b> Labour relations &gt; Our workforce &gt; Total Rewards Policy <a href="#">p257</a></p> <p>The Nestlé Total Rewards Policy is intended to cover everyone directly employed by the company (including temps and part time), but its actual application is subject to considerations of local market practice, legislative requirements, etc.</p>	Details of application to temporary or part-time employees by significant locations of operations.	The Standard Disclosure or part of the Standard Disclosure is not applicable	Nestlé do not have a mechanism in place for tracking and reporting this. We are currently discussing the possibility of automating the reporting in the future. Our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-LA3</b>	<b>OP:</b> Diversity > Parental support initiatives <a href="#">p282</a>				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Labor/management relations</b>					
<b>G4-DMA</b>	<p><b>OP:</b> Our role with our people &gt; Material issues <a href="#">p256–257</a></p> <p><b>OP:</b> Labour relations &gt; Our workforce <a href="#">p274</a></p>				Yes, see assurance statement <a href="#">p295</a>



DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
G4-LA8		Indicator omitted.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	No
<b>Material aspect: Training and education</b>					
G4-DMA	OP: Our role with our people > Material issues <a href="#">p256–257</a> OP: Developing people <a href="#">p285–292</a>				Yes, see assurance statement <a href="#">p295</a>
G4-LA9	OP: Developing people > Training our people <a href="#">p287–289</a>	Employee category breakdown.	The Standard Disclosure or part of the Standard Disclosure is not applicable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
G4-LA10	OP: Developing people > Training our people <a href="#">p287–289</a> OP: Developing people > Developing our capabilities > Succession planning <a href="#">p286</a>	Details for: The provision of training programmes including sabbatical periods with guaranteed return to employment. Provision of programmes to assist in managing career endings, including as a minimum: preretirement planning for intended retirees, retraining for those intending to continue working, severance pay and whether this takes into account employee age and years of service, job replacement services, assistance on transitioning to a non-working life.	The information is currently unavailable	We are examining our data collection process with a view to reporting this missing element in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
G4-LA11	OP: Developing people > Training our people <a href="#">p285</a>	Percentage of total employees by gender and employee category who receive a regular performance and career development review.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Diversity and equal opportunity</b>					
G4-DMA	OP: Our role with our people > Material issues <a href="#">p256–257</a> OP: Diversity <a href="#">p278–284</a>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-LA12</b>	<b>OP:</b> Diversity > Enhancing diversity in our workforce <a href="#">p279–280</a>	<p>a. Report the percentage of individuals within the organization's governance bodies in each of the following diversity categories:</p> <ul style="list-style-type: none"> <li>- Gender</li> <li>- Age group: under 30 years old, 30–50 years old, over 50 years old</li> <li>- Minority groups</li> <li>- Other indicators of diversity where relevant</li> </ul> <p>b. Report the percentage of employees per employee category in each of the following diversity categories:</p> <ul style="list-style-type: none"> <li>- Minority group data</li> </ul>	<p>The information is currently unavailable</p> <p>The information is subject to specific confidentiality constraints</p>	<p>We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.</p> <p>Employees are not broken out by minority group due to differing privacy concerns in our markets.</p>	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Equal remuneration for women and men</b>					
<b>G4-DMA</b>	<p><b>OP:</b> Our role with our people &gt; Material issues <a href="#">p256–257</a></p> <p><b>OP:</b> Diversity <a href="#">p278–284</a></p> <p><b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 4. Women's empowerment <a href="#">p98</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-LA13</b>	<b>OP:</b> Diversity > Enhancing diversity in our workforce <a href="#">p280</a>	Regional and employee category breakdowns.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Supplier assessment for labor practices</b>					
<b>G4-DMA</b>	<p>All Nestlé suppliers are required to adhere to the Nestlé Supplier Code (that includes environmental, societal, labour and human rights criteria), and are audited for compliance against the code as part of an ongoing programme. If any instances of non-compliance are found corrective action plans are put in place to resolve the issues. Termination of a relationship with a supplier only occurs if they refuse to comply with the audit process, and is only undertaken as a last resort. See:</p> <p><b>RD:</b> Responsible sourcing through our procurement activities &gt; Tier 1 auditing &gt; The results <a href="#">p108</a></p> <p><b>RD:</b> Our role in rural development and responsible sourcing &gt; Material issues <a href="#">p92–93</a></p> <p><b>RD:</b> Rural Development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework <a href="#">p96–99</a></p> <p><b>RD:</b> Responsible sourcing through our procurement activities <a href="#">p105–111</a></p> <p><b>RD:</b> Our priority sourcing categories <a href="#">p112–136</a></p> <p><b>RD:</b> Responsible sourcing through our procurement activities &gt; Tier 1 auditing <a href="#">p107–108</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
G4-LA14	RD: Our role in rural development and responsible sourcing > Our policies and standards <a href="#">p94</a> 100% of new suppliers are screened				No
G4-LA15	RD: Responsible sourcing through our procurement activities > Tier 1 auditing <a href="#">p107-108</a> RD: Responsible sourcing through our procurement activities > Traceability and assessments > Issues in traceability and supply chain mapping <a href="#">p111</a> RD: Our priority sourcing categories <a href="#">p112-136</a> HRC: Human rights > Human Rights Due Diligence Programme > Pillar 8: Monitoring and reporting <a href="#">p236-238</a> HRC: Child labour > Applying a comprehensive strategy <a href="#">p239</a>				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Labor practices grievance mechanisms</b>					
G4-DMA	HRC: Compliance > Reporting of compliance violations > The Nestlé Integrity Reporting System (internal) <a href="#">p244-245</a> HRC: Compliance > Reporting of compliance violations > Tell us – our external compliance reporting system <a href="#">p245</a>				Yes, see assurance statement <a href="#">p295</a>
G4-LA16	HRC: Compliance > Reporting of compliance violations > The Nestlé Integrity Reporting System (internal) <a href="#">p244-245</a> HRC: Compliance > Reporting of compliance violations > Tell us – our external compliance reporting system <a href="#">p245</a> OP: Labour relations > Grievances about labour practices <a href="#">p277</a>	Report the total number of grievances about labor practices filed prior to the reporting period that were resolved during the reporting period	The information is currently unavailable	Currently this is not an individual categorized subject and the data is mixed in with other subjects, this will be provided next year.	Yes, see assurance statement <a href="#">p295</a>
<b>Human Rights</b>					
<b>Material aspect: Investment</b>					
G4-DMA	HRC: Our role in human rights and compliance > Material issues <a href="#">p223-224</a> HRC: Our role in human rights and compliance > Our policies and standards <a href="#">p225</a> RD: Our role in rural development and responsible sourcing > Governance and management systems <a href="#">p93-94</a> RD: Our role in rural development and responsible sourcing > Our policies and standards <a href="#">p94</a> HRC: Human rights > Human Rights Due Diligence Programme <a href="#">p230-238</a>				Yes, see assurance statement <a href="#">p295</a>
G4-HR1	HRC: Human rights > Human Rights Due Diligence Programme > Pillar 8: Monitoring and reporting <a href="#">p236-238</a> We consider major acquisitions, such as Yinlu or Hsu Fu Chi, as significant investments.				Yes, see assurance statement <a href="#">p295</a>
G4-HR2	We identify and prioritise those employees who are located in eleven FTSE4Good Countries of Concern for human rights training using our online human rights training tool. Going forward, we are looking to train all employees who work in FTSE4Good Countries of Concern where we have significant involvement. HRC: Human rights > Human Rights Due Diligence Programme > Pillar 3: Training <a href="#">p233</a> HRC: Human rights > Human Rights Due Diligence Programme > Pillar 8: Monitoring and reporting <a href="#">p236-238</a>	a. Report the total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Non-discrimination</b>					
<b>G4-DMA</b>	<p><b>HRC:</b> Our role in human rights and compliance &gt; Material issues <a href="#">p223-224</a>  <b>HRC:</b> Compliance <a href="#">p244-246</a>  <b>OP:</b> Labour relations &gt; Zero tolerance for discrimination <a href="#">p276-277</a>                      Nestlé's <i>Corporate Business Principles</i> p19: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-HR3</b>	<p><b>OP:</b> Labour relations &gt; Zero tolerance for discrimination <a href="#">p276-277</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Freedom of association and collective bargaining</b>					
<b>G4-DMA</b>	<p><b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>HRC:</b> Our role in human rights and compliance &gt; Material issues <a href="#">p223-224</a>  <b>HRC:</b> Human rights &gt; Focusing on salient human rights issues <a href="#">p227</a>  <b>OP:</b> Our role with our people &gt; Our policies and standards <a href="#">p258-259</a>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association <a href="#">p276</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-HR4</b>	<p><b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association <a href="#">p276</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 4: Risk evaluation <a href="#">p233-234</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 8: Monitoring and reporting <a href="#">p236-238</a></p>	Type of operation (such as manufacturing plant) and supplier, countries or geographical areas with operations and suppliers considered at risk.	The information is currently unavailable	Data is only available on a global level. We are looking at how we include the geographic breakdown, with a target for inclusion in the 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Child labor</b>					
<b>G4-DMA</b>	<p><b>RD:</b> Our role in rural development and responsible sourcing &gt; Our policies and standards <a href="#">p94</a>  <b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>RD:</b> Farmer Connect and direct sourcing &gt; Agripreneurship at Nestlé &gt; Partnership with the Fair Labor Association (FLA) <a href="#">p104</a>  <b>RD:</b> Responsible sourcing through our procurement activities &gt; Traceability and assessments &gt; Partnerships, assurance and verification <a href="#">p110-111</a>  <b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain &gt; Child labour <a href="#">p113</a>  <b>HRC:</b> Our role in human rights and compliance &gt; Material issues <a href="#">p223-224</a>  <b>HRC:</b> Our role in human rights and compliance &gt; Our policies and standards <a href="#">p225</a>  <b>HRC:</b> Child labour <a href="#">p239-243</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-HR5</b>	<p><b>RD:</b> Our priority sourcing categories &gt; Hazelnuts <a href="#">p133–134</a></p> <p><b>RD:</b> Our priority sourcing categories &gt; Vanilla <a href="#">p134</a></p> <p><b>RD:</b> Our priority sourcing categories &gt; Cocoa <a href="#">p121–124</a></p> <p><b>HRC:</b> Child Labour <a href="#">p239–243</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Material issues <a href="#">p223–224</a></p> <p><b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 8: Monitoring and reporting <a href="#">p236–238</a></p>	<p>a. Report operations and suppliers considered to have significant risk for incidents of:</p> <ul style="list-style-type: none"> <li>– Child labour</li> <li>– Young workers exposed to hazardous work.</li> </ul> <p>b. Report operations and suppliers considered to have significant risk for incidents of child labour either in terms of:</p> <ul style="list-style-type: none"> <li>– Type of operation (such as manufacturing plant) and supplier</li> <li>– Countries or geographical areas with operations and suppliers considered at risk.</li> </ul>	The information is currently unavailable	We do not accept any form of child labour in our value chain, and thus we do not differentiate between child labour and young workers exposed to hazardous work. Moreover, we do not break down child labour risks by type of operation, as we actively work with the ILO's Child Labour Platform to identify commodities that have high risk of child labour such as hazelnuts in Turkey, vanilla in Madagascar, and cocoa in Côte d'Ivoire. Our management and strategy focuses on minimising the risks of child labour in these high risk commodities and locations through our work with other external stakeholders. We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Forced or compulsory labor</b>					
<b>G4-DMA</b>	<p>Our materiality process identified child labour as the main risk of forced or compulsory labour in our supply chain, thus we report on and manage child labour as the key material issue identified. While forced or compulsory labour is not an identified material issue for Nestlé we report against these key indicators, in addition to child labour, as we recognize that as a multi-national business all of the disclosures identified by GRI are relevant to a business of our size and scale, and thus we have chosen to include information against all of them.</p> <p><b>RD:</b> Our role in rural development and responsible sourcing &gt; Our policies and standards <a href="#">p94</a></p> <p><b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Material issues <a href="#">p223–224</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-HR6</b>	<p><b>RD:</b> Responsible sourcing through our procurement activities &gt; Tier 1 auditing &gt; The results <a href="#">p108</a></p> <p><b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 8: Monitoring and reporting <a href="#">p236–238</a></p>	Broken down by type of operation and supplier and countries or geographical areas.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Security practices</b>					
<b>G4-DMA</b>	Security practices is not an identified material issue for Nestlé, but it is an important area that is included in our human rights monitoring so we have reported against these aspect indicators. <b>HRC:</b> Compliance > Reporting of compliance violations > The CARE audit programme <a href="#">p246</a> <b>HRC:</b> Anti-corruption and privacy > Security <a href="#">p248</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-HR7</b>	<b>HRC:</b> Compliance > Reporting of compliance violations > The CARE audit programme <a href="#">p246</a> <b>HRC:</b> Anti-corruption > Security <a href="#">p248</a>	Percentage of security personnel trained.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report. We currently report the number of personnel trained.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Indigenous rights</b>					
<b>G4-DMA</b>	<b>RD:</b> Our priority sourcing categories > Challenges in the supply chain > Land acquisition: Respecting the rights of local and indigenous peoples <a href="#">p113–114</a> <b>HRC:</b> Our role in human rights and compliance > Material issues <a href="#">p223–224</a> <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 1: Policy commitments <a href="#">p230–232</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-HR8</b>		Indicator omitted.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	No
<b>Material aspect: Assessment</b>					
<b>G4-DMA</b>	<b>HRC:</b> Human rights > Human rights reporting: for an integrated approach <a href="#">p226</a> <b>HRC:</b> Human rights > Human Rights Due Diligence Programme <a href="#">p230–238</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-HR9</b>	<b>HRC:</b> Human rights > Human Rights Due Diligence Programme <a href="#">p230–238</a> <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 5: Impact assessment <a href="#">p234–235</a> <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 8: Monitoring and reporting <a href="#">p236–238</a> Human rights reviews were undertaken in 56 operations (8.1%).				The two human rights impact assessments have been assured, see assurance statement <a href="#">p295</a> , but the number and percentage of operations are excluded from this assurance.

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Supplier human rights assessment</b>					
<b>G4-DMA</b>	All Nestlé suppliers are required to adhere to the Nestlé Supplier Code (that includes environmental, societal, labour and human rights criteria), and are audited for compliance against the code as part of an ongoing programme. If any instances of non-compliance are found corrective action plans are put in place to resolve the issues. Termination of a relationship with a supplier only occurs if they refuse to comply with the audit process, and is only undertaken as a last resort. See: <b>RD:</b> Our role in rural development and responsible sourcing <a href="#">p91-95</a> <b>RD:</b> Responsible sourcing through our procurement activities > Implementing responsible sourcing > Tier 1 auditing > The results <a href="#">p108</a> <b>RD:</b> Rural development > The Rural Development Framework > Delivering the Rural Development Framework > 3. Farm workers <a href="#">p98</a> <b>RD:</b> Responsible sourcing through our procurement activities > Implementing responsible sourcing <a href="#">p105-111</a> <b>RD:</b> Our priority sourcing categories <a href="#">p112-115</a> <b>HRC:</b> Our role in human rights and compliance <a href="#">p222</a> <b>HRC:</b> Our role in human rights and compliance > Our policies and standards <a href="#">p225</a> <b>HRC:</b> Our role in human rights and compliance: Our commitments <a href="#">p224</a> <b>HRC:</b> Our role in human rights and compliance > Engagement and collaboration <a href="#">p225</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-HR10</b>	All new Nestlé suppliers are required to adhere to the Nestlé Supplier Code which incorporates human rights criteria, see: <b>RD:</b> Our role in rural development and responsible sourcing > Our policies and standards <a href="#">p94</a> Nestlé Tier 1 suppliers are audited against the Nestlé Supplier Code as part of an ongoing programme, see: <b>RD:</b> Responsible sourcing through our procurement activities > Tier 1 auditing <a href="#">p107-108</a> <b>RD:</b> Our priority sourcing categories <a href="#">p112-136</a>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-HR11</b>	<p><b>RD:</b> Responsible sourcing &gt; Implementing responsible sourcing &gt; Tier 1 auditing &gt; The results <a href="#">p108</a></p> <p><b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain <a href="#">p112–114</a></p> <p><b>HRC:</b> Human rights <a href="#">p226–230</a></p> <p><b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 1: Policy commitments <a href="#">p230–232</a></p> <p><b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 8: Monitoring and reporting <a href="#">p236–238</a></p> <p><b>HRC:</b> Child labour <a href="#">p239–243</a></p>	<p>b. Report the number of suppliers identified as having significant actual and potential negative human rights impacts.</p> <p>d. Report the percentage of suppliers identified as having significant actual and potential negative human rights impacts with which improvements were agreed upon as a result of assessment.</p> <p>e. Report the percentage of suppliers identified as having significant actual and potential negative human rights impacts with which relationships were terminated as a result of assessment, and why.</p>	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Human rights grievance mechanisms</b>					
<b>G4-DMA</b>	<p><b>HRC:</b> Our role in human rights and compliance <a href="#">p222–225</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Material issues <a href="#">p223–224</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Governance and management systems <a href="#">p224–225</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Our commitments <a href="#">p224</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Engagement and collaboration <a href="#">p225</a></p> <p><b>HRC:</b> Compliance &gt; Reporting of compliance violations &gt; Tell us – our external compliance reporting system <a href="#">p245</a></p> <p><b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 8: Monitoring and reporting <a href="#">p236–238</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-HR12</b>	<p><b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 8: Monitoring and reporting <a href="#">p236–238</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Society</b>					
<b>Material aspect: Local communities</b>					
<b>G4-DMA</b>	<p><b>RD:</b> Our role in rural development and responsible sourcing <a href="#">p91–95</a></p> <p><b>RD:</b> Our role in rural development and responsible sourcing &gt; Material issues <a href="#">p92–93</a></p> <p><b>RD:</b> Our role in rural development and responsible sourcing &gt; Governance and management systems <a href="#">p93–94</a></p> <p><b>RD:</b> Our role in rural development and responsible sourcing &gt; Our policies and standards <a href="#">p94</a></p> <p><b>RD:</b> Our role in rural development and responsible sourcing &gt; Our commitments <a href="#">p93</a></p> <p><b>RD:</b> Rural development &gt; The Rural Development Framework <a href="#">p96–99</a></p> <p><b>RD:</b> Our priority sourcing categories &gt; Coffee <a href="#">p115–121</a></p> <p><b>RD:</b> Our priority sourcing categories &gt; Cocoa <a href="#">p121–124</a></p> <p><b>W:</b> Water in our operations &gt; Water Resource Reviews <a href="#">p146–147</a></p>	How works councils, occupational health and safety committees or other independent employee representation bodies are empowered to deal with, and have dealt with, impacts on local communities.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-SO1</b>	<p><b>W:</b> Water in our operations &gt; Water Resource Reviews <a href="#">p146–147</a></p> <p>The percentage of facilities assessed figure is for Nestlé Waters only.</p> <p><b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework <a href="#">p96–99</a></p> <p><b>RD:</b> Our role in rural development and responsible sourcing &gt; Our commitments <a href="#">p93</a></p> <p>Nestlé Rural Development Framework, update 2015 (<a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-rural-development-framework-update2015.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-rural-development-framework-update2015.pdf</a>)</p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-SO2</b>	<p><b>W:</b> Water in our operations &gt; Water Resource Reviews <a href="#">p146–147</a></p> <p><b>RD:</b> Our priority sourcing categories &gt; Land acquisition: Respecting the rights of local and indigenous peoples <a href="#">p113–114</a></p> <p><b>RD:</b> Rural development &gt; The Rural Development Framework <a href="#">p96–99</a></p> <p>Nestlé Rural Development Framework, update 2015 (<a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-rural-development-framework-update2015.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-rural-development-framework-update2015.pdf</a>)</p>	Location of operations.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Anti-corruption</b>					
<b>G4-DMA</b>	<p><b>NiS:</b> Partnerships and collective action <a href="#">p31</a></p> <p><b>NiS:</b> Partnerships and collective action &gt; Our work with the United Nations &gt; UNGC Anti-Corruption Working Group <a href="#">p38</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Material issues <a href="#">p223–224</a></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Engagement and collaboration <a href="#">p225</a></p> <p><b>HRC:</b> Anti-corruption and privacy &gt; Anti-corruption <a href="#">p247–248</a></p> <p><b>HRC:</b> Compliance &gt; Reporting of compliance violations <a href="#">p244–246</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-SO3</b>	<p>There were no assessments for risks related to corruption carried out in 2015. This year we continued to work on the mitigation of the risks identified in an assessment completed in 2014, see:</p> <p><b>HRC:</b> Anti-corruption and privacy &gt; Monitoring anti-corruption <a href="#">p247–248</a></p>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-SO4</b>	We have reported the percentage of targeted managers who have been trained on Anti-corruption policies, as identified by our legal counsels on a risk basis. <b>HRC:</b> Anti-corruption and privacy > Anti-corruption > Anti-corruption training for our employees <a href="#">p247</a>	<ul style="list-style-type: none"> <li>a. Report the total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region.</li> <li>c. Report the total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region.</li> <li>d. Report the total number and percentage of governance body members that have received training on anti-corruption, broken down by region.</li> <li>e. Report the total number and percentage of employees that have received training on anti-corruption, broken down by region.</li> </ul>	The information is currently unavailable	We identify the key countries at risk of corruption and we train the managers located in these high risk countries. In 2014, we defined new minimal standards as to who must be trained on anti-corruption, and how often focusing on these high risk countries. We report the percentage of targeted managers who have been trained on anti-corruption policies, as identified by our legal counsels on a risk basis.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-SO5</b>	<b>HRC:</b> Anti-corruption and privacy > Anti-corruption > Monitoring anti-corruption <a href="#">p247</a>	<ul style="list-style-type: none"> <li>b. Report the total number of confirmed incidents in which employees were dismissed or disciplined for corruption.</li> <li>c. Report the total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.</li> </ul>	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Public policy</b>					
<b>G4-DMA</b>	<b>NiS:</b> Public policy and advocacy <a href="#">p30</a> <b>ES:</b> Protecting and enhancing biodiversity > Supporting public policy <a href="#">p219–220</a> Public policy positions found on – <a href="http://www.nestle.com/ask-nestle">http://www.nestle.com/ask-nestle</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-SO6</b>	Under Section 10, Page 6 of the Nestlé Code of Business Conduct, political contributions are not allowed. The only exception is the parent company in its home country Switzerland, where minor contributions are made to political parties’ secretariats to support the economic conditions and democratic structure in Switzerland. In 2015, the total of such payments for the functioning of party secretariats (no payments for campaigns) was CHF 250 000.	The political parties the payments were made to.	The information is currently unavailable	Nestlé do not indicate recipient parties individually.	No
<b>Material aspect: Healthy and affordable food</b>					
<b>G4-DMA</b>	<b>NHW:</b> Our role in nutrition, health and wellness > Our commitments <a href="#">p44</a> <b>NHW:</b> Our research and development > Researching children’s nutrition <a href="#">p55–56</a> <b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services > Innovation and renovation of our foods and beverages <a href="#">p67–68</a> <b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services > Addressing malnutrition <a href="#">p73–74</a> <b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services > Helping consumers lead healthier lives <a href="#">p82</a> <b>NHW:</b> Nutrition education: promoting healthier habits <a href="#">p60–66</a>				Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Animal welfare</b>					
<b>G4-DMA</b>	<b>RD:</b> Our role in rural development and responsible sourcing > Material issues <a href="#">p92–93</a> <b>RD:</b> Our role in rural development and responsible sourcing > Our policies and standards <a href="#">p94</a> <b>RD:</b> Responsible sourcing through our procurement activities <a href="#">p105–111</a> <b>RD:</b> Responsible sourcing > Traceability and assessments > Partnerships for assurance and verification <a href="#">p110</a> <b>RD:</b> Our priority sourcing categories > Challenges in the supply chain > Farm animal health and welfare in the supply chain <a href="#">p114–115</a> <b>RD:</b> Our priority sourcing categories > Meat, poultry and eggs <a href="#">p135</a> <b>RD:</b> Our priority sourcing categories > Dairy <a href="#">p125–128</a>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP9		Indicator omitted	The Standard Disclosure or part of the Standard Disclosure is not applicable	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p125</a> ) and 'Meat, poultry and eggs' ( <a href="#">p135</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p107</a> ). More context is available in Farm animal health and welfare in the supply chain ( <a href="#">p114</a> ).	No
FP10		Indicator omitted	The Standard Disclosure or part of the Standard Disclosure is not applicable	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p125</a> ) and 'Meat, poultry and eggs' ( <a href="#">p135</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p107</a> ). More context is available in Farm animal health and welfare in the supply chain ( <a href="#">p114</a> ).	No

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP11		Indicator omitted	The Standard Disclosure or part of the Standard Disclosure is not applicable	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p125</a> ) and 'Meat, poultry and eggs' ( <a href="#">p135</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p107</a> ). More context is available in Farm animal health and welfare in the supply chain ( <a href="#">p114</a> ).	No
FP12		Indicator omitted	The Standard Disclosure or part of the Standard Disclosure is not applicable	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p125</a> ) and 'Meat, poultry and eggs' ( <a href="#">p135</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p107</a> ). More context is available in Farm animal health and welfare in the supply chain ( <a href="#">p114</a> ).	No

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP13		Indicator omitted	The Standard Disclosure or part of the Standard Disclosure is not applicable	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p125</a> ) and 'Meat, poultry and eggs' ( <a href="#">p135</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p107</a> ). More context is available in Farm animal health and welfare in the supply chain ( <a href="#">p114</a> ).	No
<b>Material aspect: Anti-competitive behavior</b>					
G4-DMA	AR: Corporate Governance and Compliance <a href="#">p54</a> NiS: Business principles and governance <a href="#">p19–24</a>				No
G4-S07	There are 15 ongoing cases affecting Nestlé. Of these, judicial remedies are being sought in 3 and one has been closed in January 2016.				No
<b>Material aspect: Compliance</b>					
G4-DMA	RD: Our role in rural development and responsible sourcing > Our policies and standards <a href="#">p94</a> HRC: Our role in human rights and compliance > Material issues <a href="#">p223–224</a> HRC: Our role in human rights and compliance > Governance and management systems <a href="#">p224–225</a> HRC: Compliance <a href="#">p244–246</a>				Yes, see assurance statement <a href="#">p295</a>
G4-S08	CFS: Note 13 – Provisions and contingencies <a href="#">p104</a> There are no events to report as a 'significant fine'. The threshold for a 'significant fine' is CHF 10 mio.				Yes, see assurance statement in CFS <a href="#">p136</a>
<b>Material aspect: Supplier assessment for impacts on society</b>					
G4-DMA	All Nestlé suppliers are required to adhere to the Nestlé Supplier Code (that includes environmental, societal, labour and human rights criteria), and are audited for compliance against the code as part of an ongoing programme. If any instances of non-compliance are found corrective action plans are put in place to resolve the issues. Termination of a relationship with a supplier only occurs if they refuse to comply with the audit process, and is only undertaken as a last resort. See: RD: Responsible sourcing > Tier 1 auditing > The results <a href="#">p108</a> RD: Our role in rural development and responsible sourcing <a href="#">p91–95</a> RD: Rural Development > The Rural Development Framework > Delivering the Rural Development Framework <a href="#">p96–99</a> RD: Responsible sourcing > Tier 1 auditing <a href="#">p107–108</a> RD: Our priority sourcing categories > Challenges in the supply chain <a href="#">p112–115</a>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-S09</b>	Suppliers are audited against the Nestlé Supplier Code as part of an ongoing programme, see: The Nestlé Supplier Code ( <a href="http://www.nestle.com/asset-library/documents/library/documents/suppliers/supplier-code-english.pdf">http://www.nestle.com/asset-library/documents/library/documents/suppliers/supplier-code-english.pdf</a> ) Appendix to The Nestlé Supplier Code: Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin ( <a href="http://www.nestle.com/asset-library/documents/library/documents/suppliers/appendix-supplier-code-english.pdf">http://www.nestle.com/asset-library/documents/library/documents/suppliers/appendix-supplier-code-english.pdf</a> ) See also: <b>RD:</b> Our role in rural development and responsible sourcing > Our policies and standards <a href="#">p94</a> <b>RD:</b> Responsible sourcing > Tier 1 auditing <a href="#">p107–108</a> <b>RD:</b> Our priority sourcing categories <a href="#">p112–136</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-S010</b>	<b>RD:</b> Responsible sourcing > Tier 1 auditing <a href="#">p107–108</a> <b>RD:</b> Our priority sourcing categories <a href="#">p112–136</a>	c. Report the significant actual and potential negative impacts on society identified in the supply chain. d. Report the percentage of suppliers identified as having significant actual and potential negative impacts on society with which improvements were agreed upon as a result of assessment.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Grievance mechanisms for impacts on society</b>					
<b>G4-DMA</b>	<b>HRC:</b> Compliance <a href="#">p244–246</a> <b>HRC:</b> Compliance > Reporting of compliance violations > Tell us – our external compliance reporting system <a href="#">p245</a>	Feedback on the 'Tell us' system	The information is currently unavailable	As this was the first year that we launched our 'Tell us' system, we have not yet requested stakeholder feedback on the effectiveness of the system. However, as the system becomes more mature and we continue to deploy it across other countries, we will look to seek feedback on the system in the future.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-S011</b>	<b>HRC:</b> Compliance > Reporting of compliance violations > Tell us – our external compliance reporting system > 'Tell us' complaints received in 2015 <a href="#">p245</a> Specific categories: Private-to-private bribery Conflict of interest (grouped with fraud) Supplier concerns				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Product Responsibility</b>					
<b>Material aspect: Customer health and safety</b>					
<b>G4-DMA</b>	<p><b>HRC:</b> Our role in human rights and compliance &gt; Material issues <a href="#">p223–224</a>  <b>HRC:</b> Our role in human rights and compliance &gt; Governance and management systems <a href="#">p224</a>  <b>NHW:</b> Our role in nutrition, health and wellness &gt; Our policies and standards <a href="#">p45</a>  Nestlé Policy on Sugars (<a href="http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-sugars.pdf">http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-sugars.pdf</a>)  Nestlé Policy on Sodium (Salt) (<a href="http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-salt.pdf">http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-salt.pdf</a>)  Nestlé Policy on Saturated Fat (<a href="http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-saturated-fat.pdf">http://www.nestle.com/asset-library/documents/library/documents/about_us/nestle-policy-saturated-fat.pdf</a>)  Nestlé Policy on Micronutrient Fortification of Foods &amp; Beverages (<a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-policy-micronutrient-fortification-foods-beverages.pdf</a>)  <b>NHW:</b> Responsible marketing <a href="#">p83–89</a>  <b>NHW:</b> Our research and development <a href="#">p48–56</a>  <b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services &gt; Helping consumers lead healthier lives <a href="#">p82</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-PR1</b>	<p>The 'Nestlé Quality Management System' covers all Nestlé products, see:  <b>HRC:</b> Product safety and quality &gt; Monitoring and compliance &gt; Nestlé Quality Management System <a href="#">p250</a>  <b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services &gt; Innovation and renovation of our foods and beverages <a href="#">p67–69</a></p>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-PR2</b>	<p>We consider the most material part of this indicator to be product safety for the end consumer.  <b>HRC:</b> Product safety and quality &gt; Product recalls and foreign bodies elimination <a href="#">p251–252</a>  No penalties or fines were reported to the Center related to the recalls that occurred in 2015</p>	<ul style="list-style-type: none"> <li>• Incidents of non-compliance with regulations resulting in a warning</li> <li>• Incidents of non-compliance with voluntary codes</li> </ul>	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>FP5</b>	<p><b>HRC:</b> Product safety and quality &gt; Monitoring and compliance &gt; Nestlé Quality Management System <a href="#">p250</a></p>	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP6	<b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services > Reducing salt, sugar and fat in our foods and beverages <a href="#">p69-72</a>	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	The information is currently unavailable	Our Recipe Management System, which is still in development, does not report by percentage of total sales volume. For salts we are reporting percentage of entire product portfolio with reduced sodium content. For sugars children's products was identified as the priority category and we are reporting the percentage of the product portfolio that meets our sugar criteria. We are now assessing the remainder of products. For fats we have set a reduction objective for 2016 and are reporting the percentage of oils used in our products which meet our criteria.	Yes, see assurance statement <a href="#">p295</a>
FP7	<b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services > Micronutrient fortification <a href="#">p75-76</a>	Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Product and service labeling</b>					
G4-DMA	<b>NHW:</b> Our role in nutrition, health and wellness > Material issues <a href="#">p42-44</a> <b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services > Providing nutritional information <a href="#">p79-80</a> <b>HRC:</b> Product safety and quality <a href="#">p250-253</a>				Yes, see assurance statement <a href="#">p295</a>
G4-PR3	Our Quality Policy and Quality Management System requires and ensures that we meet all product labelling legal requirements in every market that we operate in. 100% of our product categories are covered and assessed for compliance with national product labelling requirements through our Quality Management System. In addition to meeting our legal requirements, we are actively working to engage consumers on the sustainability impacts of our products through QR codes that consumers can scan and learn more online. <b>NHW:</b> Our role in nutrition, health and wellness > Material issues <a href="#">p42-44</a> <b>NHW:</b> Nutrition, health and wellness: our foods, beverages and services > Providing nutritional information <a href="#">p79-80</a> <b>HRC:</b> Product safety and quality <a href="#">p250-253</a>				No

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-PR4</b>	<b>HRC:</b> Product safety and quality <a href="#">p250–253</a> <b>HRC:</b> Compliance <a href="#">p244–246</a> No penalties or fines were reported to the Center related to the recalls that occurred in 2015.	Breakdown by information and labelling. Index mentions no fines or penalties were reported but does not mention ‘instances of non compliance’ relating to regulations and voluntary codes concerning product and service information and labelling	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>G4-PR5</b>		Indicator omitted.	The information is currently unavailable	Customer satisfaction surveys are conducted at a market and brand level, and are not currently included in the CSV report scope. We are examining our data collection process with a view to reporting this missing element in our 2016 CSV report.	No
<b>Material aspect: Marketing communications</b>					
<b>G4-DMA</b>	<b>NHW:</b> Our role in nutrition, health and wellness > Material issues <a href="#">p42–44</a> <b>NHW:</b> Responsible marketing <a href="#">p83–89</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-PR6</b>	Nestlé do not sell any banned products. The breast-milk substitutes sold by Nestlé are subject to stakeholder questions and public debate. For our response to this debate see: <b>NHW:</b> Responsible marketing of our foods and beverages > Responsible marketing of breast-milk substitutes <a href="#">p83–87</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-PR7</b>	<b>HRC:</b> Compliance > Reporting of compliance violations > The Nestlé Integrity Reporting System (internal) <a href="#">p244–245</a> <b>HRC:</b> Compliance > Reporting of compliance violations > Tell us – our external compliance reporting system <a href="#">p245</a> <b>NHW:</b> Responsible marketing of our foods and beverages > Responsible marketing of breast-milk substitutes > Compliance <a href="#">p84–85</a> For our internal audit reports against our compliance with the WHO code see: <a href="http://www.nestle.com/csv/nutrition/baby-milk/compliance-record">http://www.nestle.com/csv/nutrition/baby-milk/compliance-record</a> <b>NHW:</b> Responsible marketing of our foods and beverages > Responsible marketing to children <a href="#">p87–89</a>	Incidents of non-compliance related to responsible marketing to children.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2017 CSV report.	Yes, see assurance statement <a href="#">p295</a>
<b>Material aspect: Customer privacy</b>					
<b>G4-DMA</b>	<b>HRC:</b> Our role in human rights and compliance > Material issues <a href="#">p223–224</a> <b>HRC:</b> Anti-corruption and privacy > Data privacy <a href="#">p248</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-PR8</b>	<b>HRC:</b> Anti-corruption and privacy > Data privacy <a href="#">p248</a>				Yes, see assurance statement <a href="#">p295</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Compliance</b>					
<b>G4-DMA</b>	<b>NHW:</b> Responsible marketing > Responsible marketing of breast-milk substitutes <a href="#">p83–87</a> <b>NHW:</b> Responsible marketing > Responsible marketing to children <a href="#">p87–89</a> <b>HRC:</b> Our role in human rights and compliance > Material issues <a href="#">p223–224</a> <b>HRC:</b> Compliance <a href="#">p244–246</a> <b>HRC:</b> Product safety and quality <a href="#">p250–253</a>				Yes, see assurance statement <a href="#">p295</a>
<b>G4-PR9</b>	<b>CFS:</b> Note 12: Provisions and contingencies <a href="#">p104</a> There were no fines imposed in 2015.	Report does not contain a breakdown for monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	The information is currently unavailable	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p295</a>

# UN Guiding Principles Reporting Framework index of answers

Section of the framework		Page number (or link)
<b>Part A: Governance of Respect for Human Rights</b>		
<b>Policy commitment</b>	<b>A.1</b>	What does the company say publicly about its commitment to respect human rights? <b>HRC:</b> Our role in human rights and compliance > Our policies and standards <a href="#">p225</a> <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 1: Policy commitments <a href="#">p230–232</a>
	<b>A.1.1</b>	How has the public commitment been developed? <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 1: Policy commitments <a href="#">p230–232</a>
	<b>A.1.2</b>	Whose human rights does the public commitment address? <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 1: Policy commitments <a href="#">p230–232</a>
	<b>A.1.3</b>	How is the public commitment disseminated? <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 1: Policy commitments <a href="#">p230–232</a>
<b>Embedding respect</b>	<b>A.2</b>	How does the company demonstrate the importance it attaches to the implementation of its human rights commitment? <b>HRC:</b> Human rights > Human Rights Due Diligence Programme <a href="#">p230–238</a>
	<b>A.2.1</b>	How is day-to-day responsibility for human rights performance organized within the company, and why? <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 6: Governance <a href="#">p235–236</a>
	<b>A.2.2</b>	What kinds of human rights issues are discussed by senior management and by the Board, and why? <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 6: Governance <a href="#">p235–236</a>
	<b>A.2.3</b>	How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions? <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 3: Training and awareness raising <a href="#">p233</a>
	<b>A.2.4</b>	How does the company make clear in its business relationships the importance it places on respect for human rights? <b>HRC:</b> Human rights > Human Rights Due Diligence Programme > Pillar 1: Policy commitments <a href="#">p230–232</a>
	<b>A.2.5</b>	What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result? <b>HRC:</b> Human rights > Human rights reporting: for an integrated approach <a href="#">p226</a>
<b>Part B: Defining the Focus of Reporting</b>		
<b>Statement of salient issues</b>	<b>B1</b>	Statement of salient issues: State the salient human rights issues associated with the company's activities and business relationships during the reporting period. <b>HRC:</b> Human rights > Focusing on salient human rights issues <a href="#">p228</a>
<b>Explanation of salient issues</b>	<b>B2</b>	Determination of salient issues: Describe how the salient human rights issues were determined, including any input from stakeholders. <b>HRC:</b> Human rights > Focusing on salient human rights issues > Identification process <a href="#">p229</a>
<b>Geographical focus (if any)</b>	<b>B3</b>	Choice of focal geographies: If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made. At present no specific geographical areas have been identified as priorities for each issue.
<b>Additional severe impacts (if any)</b>	<b>B4</b>	Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed. <b>HRC:</b> Human rights > Focusing on salient human rights issues > Beyond salient issues <a href="#">p230</a>

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## Part C: Management of Salient Human Rights Issues

Section of the framework	Page number (or link)
<b>Specific policies</b>	
<b>C.1</b> Does the company have any specific policies that address its salient human rights issues and, if so, what are they?	<p><b>All issues</b></p> <p><b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 1: Policy commitments <a href="#">p230–232</a></p> <p><b>Issue 1: Freedom of association and collective bargaining</b></p> <p><b>OP:</b> Our role with our people &gt; Our policies and standards <a href="#">p258–259</a></p> <p><b>Issue 2: Working time</b></p> <p><b>OP:</b> Our role with our people &gt; Our policies and standards <a href="#">p258–259</a></p> <p><b>Issue 3: Workers accommodation and access to basic services</b></p> <p><b>W:</b> Public policy advocacy and collective action &gt; Supporting the WBCSD WASH Pledge <a href="#">p150–151</a></p> <p><b>Issue 5: Living wage</b></p> <p><b>OP:</b> Our role with our people &gt; Our policies and standards <a href="#">p258–259</a></p> <p><b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a></p> <p><b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a></p> <p><b>Issue 6: Child labour</b></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Our policies and standards <a href="#">p225</a></p> <p><b>Issue 7: Forced labour</b></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Our policies and standards <a href="#">p225</a></p> <p><b>Issue 8: Land acquisition</b></p> <p><b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain &gt; Land acquisition: respecting the rights of local and indigenous peoples <a href="#">p113–114</a></p> <p><b>Issue 9: Access to water and sanitation</b></p> <p><b>W:</b> Our role in water stewardship &gt; Our policies and standards <a href="#">p140</a></p> <p><b>W:</b> Public policy advocacy and collective action &gt; Supporting the WBCSD WASH Pledge <a href="#">p150–151</a></p> <p><b>Issue 10: Access to grievance mechanisms</b></p> <p><b>HRC:</b> Our role in human rights and compliance &gt; Our policies and standards <a href="#">p225</a></p> <p><b>Issue 11: Data protection and privacy</b></p> <p><b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Privacy Policy <a href="#">p248</a></p>

Section of the framework		Page number (or link)
<b>Specific policies</b> (continued)	<b>C.1.1</b> How does the company make clear the relevance and significance of such policies to those who need to implement them?	<p><b>All issues</b>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 1: Policy commitments <a href="#">p230–232</a>  <b>Issue 1: Freedom of association and collective bargaining</b>  <b>OP:</b> Our role with our people &gt; Governance and management systems &gt; Human Resources <a href="#">p258</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 1: Policy commitments <a href="#">p230–232</a>  <b>Issue 2: Working time</b>  <b>OP:</b> Our role with our people &gt; Our policies and standards <a href="#">p258–259</a>  <b>OP:</b> Labour relations &gt; Working conditions <a href="#">p275</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 1: Policy commitments <a href="#">p230–232</a>  <b>Issue 3: Workers accommodation and access to basic services</b>  <b>W:</b> Community engagement &gt; Improving access to water and sanitation <a href="#">p160</a>  <b>W:</b> Community engagement &gt; WASH in the workplace <a href="#">p161–162</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Our role with our people &gt; Our policies and standards <a href="#">p258–259</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 1: Policy commitments <a href="#">p230–232</a>  <b>Issue 7: Forced labour</b>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 1: Policy commitments <a href="#">p230–232</a>  <b>Issue 8: Land acquisition</b>  <b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain &gt; Land acquisition: respecting the rights of local and indigenous peoples <a href="#">p113–114</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Community engagement &gt; Improving access to water and sanitation <a href="#">p160</a>  <b>W:</b> Community engagement &gt; WASH in the workplace <a href="#">p161–162</a>  <b>Issue 10: Access to grievance mechanisms</b>  <b>HRC:</b> Our role in human rights and compliance &gt; Our policies and standards <a href="#">p225</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Privacy Policy <a href="#">p248</a></p>

Section of the framework		Page number (or link)
<b>Stakeholder engagement</b>	<b>C.2</b> What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?	<p><b>All issues</b>  <b>NiS:</b> Stakeholder engagement <a href="#">p25–29</a>  <b>HRC:</b> Our role in human rights and compliance &gt; Engagement and collaboration <a href="#">p225</a>  <b>HRC:</b> Human rights &gt; Focusing on salient human rights issues &gt; Identification process <a href="#">p229</a>  <b>Issue 1: Freedom of association and collective bargaining</b>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association &gt; Fostering positive relations with trade unions <a href="#">p276</a>  <b>Issue 2: Working time</b>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association &gt; Fostering positive relations with trade unions <a href="#">p276</a>  <b>Issue 3: Workers accommodation and access to basic services</b>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association &gt; Fostering positive relations with trade unions <a href="#">p276</a>  <b>Issue 4: Safety and health</b>  <b>OP:</b> Our role with our people &gt; Multi-stakeholder activities <a href="#">p259</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 8: Land acquisition</b>  <b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain &gt; Land acquisition: respecting the rights of local and indigenous peoples <a href="#">p113–114</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Privacy Policy <a href="#">p248</a></p>
<b>Stakeholder engagement</b> (continued)	<b>C.2.1</b> How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?	<p><b>All issues</b>  <b>NiS:</b> Stakeholder engagement <a href="#">p25–29</a>  <b>HRC:</b> Human rights &gt; Focusing on salient human rights issues <a href="#">p227–230</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 2: Stakeholder engagement <a href="#">p232–233</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 8: Land acquisition</b>  <b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain &gt; Land acquisition: respecting the rights of local and indigenous peoples <a href="#">p113–114</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Community engagement &gt; Local partnerships <a href="#">p160–161</a>  <b>W:</b> Community engagement &gt; Collaborating with expert partners <a href="#">p162–163</a></p>
<b>Stakeholder engagement</b> (continued)	<b>C.2.2</b> During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	<p><b>All issues</b>  <b>NiS:</b> Stakeholder engagement <a href="#">p25–29</a>  <b>HRC:</b> Human rights &gt; Focusing on salient human rights issues <a href="#">p227–230</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 2: Stakeholder engagement <a href="#">p232–233</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 8: Land acquisition</b>  <b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain &gt; Land acquisition: respecting the rights of local and indigenous peoples <a href="#">p113–114</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Community engagement &gt; Local partnerships <a href="#">p160–161</a>  <b>W:</b> Community engagement &gt; Collaborating with expert partners <a href="#">p162–163</a></p>

Section of the framework		Page number (or link)
<b>Stakeholder engagement</b> (continued)	<b>C.2.3</b> During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?	<p><b>All issues</b>  <b>NiS:</b> Stakeholder engagement <a href="#">p25–29</a>  <b>HRC:</b> Human rights &gt; Focusing on salient human rights issues <a href="#">p227–230</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 2: Stakeholder engagement <a href="#">p232–233</a>  <b>Issue 4: Safety and health</b>  <b>OP:</b> Our role with our people &gt; Multi-stakeholder activities <a href="#">p259</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 8: Land acquisition</b>  <b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain &gt; Land acquisition: respecting the rights of local and indigenous peoples <a href="#">p113–114</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Community engagement &gt; Local partnerships <a href="#">p160–161</a>  <b>W:</b> Community engagement &gt; Collaborating with expert partners <a href="#">p162–163</a></p>
<b>Assessing impacts</b>	<b>C.3</b> How does the company identify any changes in the nature of each salient human rights issue over time?	<p><b>All issues</b>  <b>HRC:</b> Human rights &gt; Focusing on salient human rights issues <a href="#">p227–230</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 4: Risk evaluation <a href="#">p233–234</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Our role in water stewardship &gt; Governance and management systems <a href="#">p140</a>  <b>W:</b> Water in our operations &gt; Achieving water efficiency and sustainability <a href="#">p144–145</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Privacy Policy <a href="#">p248</a></p>
<b>Assessing impacts</b> (continued)	<b>C.3.1</b> During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they?	<p><b>Issue 1: Freedom of association and collective bargaining</b>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association <a href="#">p276</a>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association &gt; Fostering positive relations with trade unions <a href="#">p276</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Applying a comprehensive strategy <a href="#">p239</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Community engagement &gt; Collaborating with experts &gt; The Global Water and Sanitation Initiative <a href="#">p163</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Privacy Policy <a href="#">p248</a></p>

Section of the framework		Page number (or link)
<b>Assessing impacts</b> (continued)	<b>C.3.2</b> During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?	<p><b>Issue 1: Freedom of association and collective bargaining</b>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association <a href="#">p276</a>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association &gt; Fostering positive relations with trade unions <a href="#">p276</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Applying a comprehensive strategy <a href="#">p239</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Our role in water stewardship &gt; Water stewardship programme in California <a href="#">p142</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Privacy Policy <a href="#">p248</a></p>
<b>Integrating findings and taking action</b>	<b>C.4</b> How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	<p><b>All issues</b>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 6: Governance <a href="#">p235–236</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 8: Monitoring and reporting <a href="#">p236–238</a>  <b>Issue 2: Working time</b>  <b>OP:</b> Our role with our people &gt; Governance and management systems &gt; Human Resources <a href="#">p258</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Our role with our people &gt; Governance and management systems &gt; Human Resources <a href="#">p258</a>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Applying a comprehensive strategy <a href="#">p239</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Our role in water stewardship &gt; Governance and management systems <a href="#">p140</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Data Privacy Organisation <a href="#">p248</a></p>

Section of the framework		Page number (or link)
<b>Integrating findings and taking action</b> (continued)	<b>C.4.1</b> How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?	<p><b>All issues</b>  <b>HRC:</b> Our role in human rights and compliance &gt; Governance and management systems <a href="#">p224–225</a>  <b>HRC:</b> Human rights &gt; Focusing on salient human rights issues &gt; Governance structure <a href="#">p229–230</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 6: Governance <a href="#">p235–236</a>  <b>Issue 1: Freedom of association and collective bargaining</b>  <b>OP:</b> Our role with our people &gt; Governance and management systems <a href="#">p258</a>  <b>Issue 2: Working time</b>  <b>OP:</b> Our role with our people &gt; Governance and management systems <a href="#">p258</a>  <b>Issue 4: Safety and health</b>  <b>OP:</b> Our role with our people &gt; Governance and management systems <a href="#">p258</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Our role with our people &gt; Governance and management systems <a href="#">p258</a>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Applying a comprehensive strategy <a href="#">p239</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Our role in water stewardship &gt; Governance and management systems <a href="#">p140</a></p>
<b>Integrating findings and taking action</b> (continued)	<b>C.4.2</b> When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?	<p><b>All issues</b>  <b>HRC:</b> Human rights &gt; Focusing on salient human rights issues &gt; Identification process &gt; Business risks versus risks to rights holders <a href="#">p229</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 6: Governance <a href="#">p235–236</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Applying a comprehensive strategy <a href="#">p239</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Our role in water stewardship &gt; Governance and management systems <a href="#">p140</a></p>
<b>Integrating findings and taking action</b> (continued)	<b>C.4.3</b> During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?	<p><b>Issue 1: Freedom of association and collective bargaining</b>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association <a href="#">p276</a>  <b>Issue 4: Safety and health</b>  <b>OP:</b> Safety, health and wellness <a href="#">p261</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Monitoring and remediation in the cocoa supply chain &gt; Remediation activities <a href="#">p242</a>  <b>HRC:</b> Child labour &gt; Action plan for hazelnuts <a href="#">p242–243</a>  <b>HRC:</b> Child labour &gt; Action plan for vanilla <a href="#">p243</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Community engagement &gt; WASH in the workplace <a href="#">p161–162</a>  <b>W:</b> Community engagement &gt; Collaborating with expert partners <a href="#">p162–163</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Key data privacy initiatives in 2015 <a href="#">p248</a></p>

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<b>Tracking performance</b>	<b>C.5</b>	How does the company know if its efforts to address each salient human rights issue are effective in practice?	<p><b>All issues</b>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 5: Impact assessment <a href="#">p234–235</a>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 8: Monitoring and reporting <a href="#">p236–238</a>  <b>HRC:</b> Compliance &gt; Reporting of compliance violations &gt; The CARE audit programme <a href="#">p246</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Monitoring and remediation in the cocoa supply chain <a href="#">p240–242</a>  <b>HRC:</b> Child labour &gt; Action plan for hazelnuts <a href="#">p242–243</a>  <b>HRC:</b> Child labour &gt; Action plan for vanilla <a href="#">p243</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Water in our operations &gt; Due diligence on the human right to water and sanitation <a href="#">p147</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Data Privacy Organisation <a href="#">p248</a></p>
<b>Tracking performance</b> (continued)	<b>C.5.1</b>	What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?	<p><b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Monitoring and remediation in the cocoa supply chain <a href="#">p240–242</a>  <b>HRC:</b> Child labour &gt; Action plan for hazelnuts <a href="#">p242–243</a>  <b>HRC:</b> Child labour &gt; Action plan for vanilla <a href="#">p243</a>  <b>Issue 7: Forced labour</b>  <b>RD:</b> Our priority sourcing categories &gt; Fish and seafood &gt; Traceability in the supply chain &gt; Tackling abuses in the seafood supply chain <a href="#">p136</a>  <b>Issue 8: Land acquisition</b>  <b>RD:</b> Our priority sourcing categories &gt; Challenges in the supply chain &gt; Land acquisition: respecting the rights of local and indigenous peoples <a href="#">p113–114</a></p>
<b>Remediation</b>	<b>C.6</b>	How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?	<p><b>All issues</b>  <b>HRC:</b> Human rights &gt; Human Rights Due Diligence Programme &gt; Pillar 6: Governance <a href="#">p235–236</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Monitoring and remediation in the cocoa supply chain <a href="#">p240–242</a>  <b>HRC:</b> Child labour &gt; Action plan for hazelnuts <a href="#">p242–243</a>  <b>HRC:</b> Child labour &gt; Action plan for vanilla <a href="#">p243</a>  <b>Issue 9: Access to water and sanitation</b>  <b>W:</b> Water in our operations &gt; Due diligence on the human right to water and sanitation <a href="#">p147</a>  <b>Issue 11: Data protection and privacy</b>  <b>HRC:</b> Anti-corruption and privacy &gt; Data privacy &gt; Our Data Privacy Organisation <a href="#">p248</a></p>

Section of the framework		Page number (or link)
<b>Remediation</b> (continued)	<b>C.6.1</b> Through what means can the company receive complaints or concerns related to each salient issue?	<p><b>All issues</b>  <b>NiS:</b> Stakeholder engagement &gt; Stakeholder convenings <a href="#">p25</a>  <b>HRC:</b> Compliance &gt; Reporting of compliance violations &gt; The Nestlé Integrity Reporting System (internal) <a href="#">p244–245</a>  <b>HRC:</b> Compliance &gt; Reporting of compliance violations &gt; Tell us – our external compliance reporting system <a href="#">p245</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a></p>
<b>Remediation</b> (continued)	<b>C.6.2</b> How does the company know if people feel able and empowered to raise complaints or concerns?	<p><b>All issues</b>  <b>NiS:</b> Stakeholder engagement &gt; Stakeholder convenings <a href="#">p25</a>  <b>HRC:</b> Compliance &gt; Reporting of compliance violations &gt; The Nestlé Integrity Reporting System (internal) <a href="#">p244–245</a>  <b>HRC:</b> Compliance &gt; Reporting of compliance violations &gt; Tell us – our external compliance reporting system <a href="#">p245</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a></p>
<b>Remediation</b> (continued)	<b>C.6.3</b> How does the company process complaints and assess the effectiveness of outcomes?	<p><b>All issues</b>  <b>NiS:</b> Stakeholder engagement &gt; Stakeholder convenings <a href="#">p25</a>  <b>HRC:</b> Compliance &gt; Reporting of compliance violations &gt; The Nestlé Integrity Reporting System (internal) <a href="#">p244–245</a>  <b>HRC:</b> Compliance &gt; Reporting of compliance violations &gt; Tell us – our external compliance reporting system <a href="#">p245</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a></p>
<b>Remediation</b> (continued)	<b>C.6.4</b> During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?	<p><b>Issue 1: Freedom of association and collective bargaining</b>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association <a href="#">p276</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>RD:</b> Rural development &gt; The Rural Development Framework &gt; Delivering the Rural Development Framework &gt; 3. Farm workers <a href="#">p98</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Monitoring and remediation in the cocoa supply chain <a href="#">p240–242</a>  <b>HRC:</b> Child labour &gt; Action plan for hazelnuts <a href="#">p242–243</a>  <b>HRC:</b> Child labour &gt; Action plan for vanilla <a href="#">p243</a></p>
<b>Remediation</b> (continued)	<b>C.6.5</b> During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?	<p><b>Issue 1: Freedom of association and collective bargaining</b>  <b>OP:</b> Labour relations &gt; Collective bargaining and freedom of association <a href="#">p276</a>  <b>Issue 5: Living wage</b>  <b>OP:</b> Labour relations &gt; Working conditions &gt; Delivering a living wage <a href="#">p275</a>  <b>Issue 6: Child labour</b>  <b>HRC:</b> Child labour &gt; Monitoring and remediation in the cocoa supply chain <a href="#">p240–242</a>  <b>HRC:</b> Child labour &gt; Action plan for hazelnuts <a href="#">p242–243</a>  <b>HRC:</b> Child labour &gt; Action plan for vanilla <a href="#">p243</a></p>