

Nestlé in society
Creating Shared Value and
meeting our commitments 2016



15 Years

of Good Food, Good Life



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Accompanying reports



Annual Review 2016



Corporate Governance Report 2016
Compensation Report 2016
Financial Statements 2016

Front Cover

Through Nestlé's range of fortified foods and beverages, such as *Nido Fortigrow*, we can reach out to children and families where their needs are greatest, to offer a potential positive impact on health.

Our CSV performance

Nestlé's key performance indicators (KPIs) provide a focus for measuring and reporting Creating Shared Value (CSV), sustainability and compliance. The performance summary below forms part of our Communication on Progress for the United Nations Global Compact Principles. Unless otherwise stated, performance indicators are for the calendar year ending 31 December 2016. To provide transparency for our stakeholders, we have indicated the correlation between our

KPIs, our commitments and Global Reporting Initiative (GRI) indicators in the table below. 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 our material issues. These issues are identified through our stakeholder engagement process and shape our public commitments. Please see www.nestle.com/csv/performance/kpi-summary

Nestlé in society and Creating Shared Value key performance indicators

	GRI	2015	2016	Page
Economic				
Total Group sales (CHF million) ^(a)	G4-EC1	88 785	89 469	n/a
Net profit (CHF million) ^(b)	G4-EC1	9 066	8 531	n/a
Nutrition				
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (% of total sales) ^(c)	G4-EC1	81.6	83.7	13
Renovated products for nutrition or health considerations ^(d)	G4-FP7	8 041	8 856	13
Products with increase in nutritious ingredients or essential nutrients ^(d)	G4-FP7	4 643	4 095	13, 14
Products with reduction of sodium, sugars, trans fats, total fat, calories or artificial colourings ^(d)	G4-FP6	5 471	5 777	13, 16
Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million) ^(e)	G4-PR1	33 657	34 426	13
Products containing Branded Active Benefits (sales, CHF million)	G4-FP7	6 193	6 174	13, 14
Products featuring <i>Nestlé Nutritional Compass</i> labelling (% of sales worldwide) ^(f)	G4-PR3	92.8	96.4	19
Products with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) ^(g)	G4-PR3	89.2	92.3	19
Products with specific <i>Portion Guidance</i> (sales, CHF million)	G4-PR3	35 562	45 333	20
Popularly Positioned Product SKUs	G4-EC1	4 845	4 845	13
Popularly Positioned Products (sales, CHF million)	G4-EC1	11 599	12 341	13
Nestlé television advertising to children under 12 in compliance with policies on responsible marketing (%)	G4-PR7	97	98.7	17
Contraventions to the <i>Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes</i> ^(h)	G4-PR7	36	19	16
Infant formula marketing staff in higher-risk countries trained on the WHO Code (% of staff) ⁽ⁱ⁾	G4-PR6	100	100	16
Rural development				
Farmers trained through capacity-building programmes		400 000	363 000	24
Markets covered by <i>Sustainable Agriculture Initiative at Nestlé</i> (SAIN) programmes		52	53	24, 31
Direct procurement markets covered by SAIN programmes (%)		97	97	24, 31
Percentage of purchased volume fully compliant with the <i>Nestlé Supplier Code</i> ⁽ⁿ⁾	G4-FP1	82	61	25
Water ^(j)				
Total water withdrawal (million m ³)	G4-EN8	141	138	28
Total water withdrawal (m ³ per tonne of product)	G4-EN8	2.57	2.48	28
Environmental sustainability				
Production volume				
Total production volume (million tonnes)		54.6	55.8	n/a
Materials				
Raw materials used (million tonnes)	G4-EN1	24.7	24.9	n/a
Materials for packaging purposes (million tonnes)	G4-EN1	5.3	5.0	35
Packaging source optimisation (kilotonnes saved)		58.2	22.5	35
Energy				
Total on-site energy consumption (petajoules)		93.8	92.9	33
Total on-site energy consumption (gigajoules per tonne of product)		1.72	1.67	33
Total on-site energy consumption from renewable sources (% total)	G4-EN3	15.4	16.9	33, 34

Nestlé in society and Creating Shared Value key performance indicators

	GRI	2015	2016	Page
Total direct energy consumption (petajoules)	G4-EN3	63.8	63.2	33
Total direct energy consumption from renewable sources (% total direct)	G4-EN3	11.8	12.1	33
Total indirect energy consumption (petajoules)	G4-EN4	80.9	78.4	33
Biodiversity				
Total size of manufacturing sites located in protected areas (hectares)	G4-EN11	18.8	18.8	36
Emissions, effluents and waste				
Direct GHG emissions (million tonnes CO ₂ eq)	G4-EN15	3.7	3.6	33
Direct GHG emissions (kg CO ₂ eq per tonne of product)	G4-EN15	68	65	33
Indirect GHG emissions (million tonnes CO ₂ eq)	G4-EN16	3.7	3.5	33
Indirect GHG emissions (kg CO ₂ eq per tonne of product)	G4-EN16	69	62	33
Total water discharge (million m ³)	G4-EN22	80.5	78.1	30
Total water discharge (m ³ per tonne of product)	G4-EN22	1.47	1.4	30
Average quality of water discharged (mg COD/l)	G4-EN22	70.9	72	30
By-products (kg per tonne of product)	G4-EN23	29.3	29.7	34
Waste for disposal (kg per tonne of product)	G4-EN23	3	1.9	34
Environmental sustainability governance				
Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)		92	94	n/a

Human rights and compliance

Total number of significant product recalls or incidents of non-compliance	G4-PR2	6	10	n/a
Number of human rights impact assessments completed	G4-HR9	2	1	38
Number of employees trained on human rights		11 242	10 967	38

Our people

Total workforce (number of employees) ^(a)		335 213	328 221	n/a
Total rate of new employee hires (%) ^(k)	G4-LA1	11.1	11.1	n/a
Total rate of employee turnover (%) ^(k)	G4-LA1	12.5	12.4	n/a
CARE gaps identified related to Business Integrity and HR ^(l)		12	7	39
Of which: Minor		12	7	39
Major		0	0	39
Critical		0	0	39
Lost-time injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) ⁽ⁱ⁾	G4-LA6	2.05	1.93	40
Total recordable injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) ⁽ⁱ⁾	G4-LA6	3.42	3.13	40
Total number of fatalities (employees, on-site contractors and on-site members of public) ⁽ⁱ⁾	G4-LA6	10	4	40
Average hours of training per year per employee per category ^(m)	G4-LA9	31.6	38.8	43
Leadership positions held by women (%) ^(k)	G4-LA12	34.0	35.4	40
Local Management Committee members native to country in developing countries (%) ^(k)	G4-EC6	63.3	73.3	n/a

(a) Does not include joint ventures.

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

(c) Total Nestlé (F&B except CPW, NHSc, Pharma, Nespresso, Businesses not in GLOBE reporting). % of products meeting NNPS criteria over total products being assessed.

(d) Based on reports of 78% of factories. Products can have 'less of' one ingredient and 'more of' another at the same time.

(e) 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.

(f) PetCare, Gerber Life, Nestlé Health Care Nutrition, Wyeth Nutrition, other Nestlé Health Science businesses and non Nestlé branded products in Nestlé Waters are out of scope.

(g) Includes all F&B + Nestlé Waters except plain water. It excludes joint ventures, Nestlé Nutrition, Wyeth, Nestlé Health Science, specific category/country exemptions.

(h) Instances attributed to Nestlé 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 some verifications are still being assessed. Our Annual Reports on compliance can

be accessed on our corporate website.

(i) We follow the FTSE4Good breast-milk substitute marketing criteria, which classify countries as 'higher-risk' if they have mortality rates for under-fives of more than 10 per 1000, or more than 2% acute malnutrition among under-fives. All other countries are 'lower-risk'.

(j) Includes joint ventures.

(k) Covers Nestlé employees registered in HR system (approximately 84% of all employees).

(l) 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.

(m) Training hours are based only on information recorded in the Learning Management System (LMS). The numbers will be higher if manually recorded training hours were considered (as was the case in 2015 when the LMS was just newly launched). Training hours per employee covers 100% of employees in the system.

(n) 2015 scope of tier 1 audits was direct materials only. In 2016, scope extended to include service and indirect materials with target of 50%.

Our commitments

Our 42 commitments featured in the *Nestlé in society* report guide our collective efforts to meet specific objectives.

On the right is a selection of key achievements, illustrating the progress we have made across our Creating Shared Value focus areas.

	<p>Nutrition, health and wellness</p> <p>8856</p> <p>Renovated 8856 products for nutrition and health considerations</p>	<p>207 billion</p> <p>Delivered 207 billion micronutrient-fortified servings of foods and beverages</p>
	<p>Rural development</p> <p>129 million</p> <p>Distributed 129 million coffee plantlets (cumulative since 2010) to farmers, against a target of 220 million by 2020</p>	<p>363 000</p> <p>Farmers trained through capacity-building programmes</p>
	<p>Water</p> <p>25%</p> <p>Reduced our water withdrawal per tonne of product by 25% since 2010</p>	<p>3.7 million m³</p> <p>Saved 3.7 million m³ of water through 516 water-saving projects</p>
	<p>Environmental sustainability</p> <p>39%</p> <p>Reduced our emissions per tonne of product by 39% (cumulative since 2006)</p>	<p>182</p> <p>Achieved zero waste for disposal at 182 sites (39% of total)</p>
	<p>Our people, human rights and compliance</p> <p>15 666</p> <p>Trained 15 666 women in business and entrepreneurial skills</p>	<p>9573</p> <p>9573 employees trained on human rights across the FTSE4Good Countries of Concern</p>

A message from our Chairman and our CEO

The year 2016 was marked by two important milestones.

First, Nestlé celebrated its 150th anniversary. Our company's journey began with Henri Nestlé's invention of farine lactée infant cereal and ever since, we have lived up to our purpose of enhancing quality of life and contributing to a healthier future.

Every day, Nestlé touches the lives of billions of people worldwide: from our employees to the farmers who grow our ingredients and the families who enjoy our products; to the communities where we live and work; as well as the natural environment upon which we all depend. Guided by our values rooted in respect, we work alongside partners to create shared value – contributing to society while ensuring the long-term success of our business.

We are pleased to share our *2016 Nestlé in society: Creating Shared Value* report, which demonstrates our progress and shows how our company purpose, ambitions and 42 specific public commitments are contributing to society.

Our Creating Shared Value priorities are those areas of greatest intersection between Nestlé's business and society, and where we can create the most value and make the most difference. These include: nutrition, where we refined our commitments to enable healthier and happier lives for individuals and families, with a strong focus on infants and children; rural development, to help develop thriving and resilient communities, and support better livelihoods for those we live and work with; and water, an issue of critical concern for the planet and the lynchpin of food security. We have strengthened our commitments in the areas of water and environmental sustainability to underline our determination to steward natural resources for future generations.

Underpinning all these efforts is a robust approach to compliance, human rights and our people. We respect and promote human rights, fair employment and diversity. An issue of major concern globally is the high level of unemployment experienced by young people. In response, we continue to extend our *Global Youth Initiative* while encouraging the participation of other companies and partners.

The second milestone for Nestlé in 2016 was the first anniversary of the United Nations Sustainable Development Goals (SDGs) with the definition of a clear indicator framework and a solid recognition of the role of the private sector and its contribution in the spirit of Creating Shared Value.

The goals set out a vision for ending poverty, hunger and inequality, and protecting the Earth's natural resources by 2030. The 17 goals are closely interlinked and are being integrated into our Creating Shared Value approach, with an emphasis on those where we can make the most meaningful, positive impact.

To mirror the SDG timescale, we have introduced a set of overarching ambitions for 2030, which will guide our actions and provide direction for our 2020 commitments (please see page 10).

Nestlé plays its full part in meeting the SDGs not only through our Creating Shared Value approach to doing business, but also through partnerships, collaborations and stakeholder engagement. Through the Consumer Goods Forum, for example, we help shape the global collective agenda through resolutions and commitments on health and wellness, social sustainability, climate change and environmental sustainability.

As in previous years, in 2016 we restated our support for the UN Global Compact as a founding member of the UN Global Compact Lead – an important platform for corporate sustainability leadership and collective engagement with the SDGs.

Behind all of these efforts are our company values, which are rooted in respect – respect for ourselves, respect for others, respect for diversity of the world we live in and respect for the future. Our *Corporate Business Principles* and *Code of Business Conduct* clearly set out our responsibilities.

Through reports such as this, we hope you can see that a mindset of transparency, improvement and engagement drives all our actions. The Creating Shared Value Council, and many other stakeholders, guide our work through their insights and constructive criticism.

We encourage investors to look at company performance both in financial and societal terms,

and evaluate how management integrates them both in corporate governance, strategy and operations. As such, our report this year includes a section for the investment community.

Most importantly, this report demonstrates our fundamental belief in Creating Shared Value as our way of delivering a long-term positive impact for shareholders and society, through everything that we do as a company. CSV is unique in that it is a business strategy that allows us to target activities where we can optimise the creation of value for our shareholders, as well as for society.

We look forward to your feedback on our commitments and on this report.



Peter Brabeck-Letmathe
Chairman



Paul Bulcke
Chief Executive Officer



During the CSV Forum in Côte d'Ivoire, Nestlé Chairman Peter Brabeck-Letmathe visits the Zambakro experimental farm, an extension of our R&D Centre in Abidjan, with Wan Ling Martello, Head of Zone Asia, Oceania and sub-Saharan Africa.



Nestlé CEO Paul Bulcke joins local government representatives, industry leaders and coffee farmers for the inauguration of the *Nescafé* Coffee Center in Pu'er, Yunnan, China.

Our positive impact on society

Creating Shared Value (CSV) is our way of delivering a long-term positive impact for shareholders and for society, through everything that we do as a company.

CSV is unique in that it is a business strategy that allows us to target activities where we can optimise the creation of value for our shareholders, as well as for society.

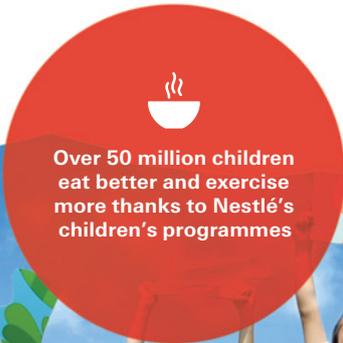
The introduction of the Creating Shared Value approach 10 years ago helped us identify, operationalise and manage strategies towards linking business benefit and social impact. Since then, we have made significant progress, launching in 2012 a set of public commitments that we use to drive continuous improvement.

Our positive impact on society is evident across our core focus areas and some of the highlights of the past 10 years of our public reporting are shown here. The principles behind CSV driving Nestlé's approach to business, however, have been with us throughout the 150 years of our existence.

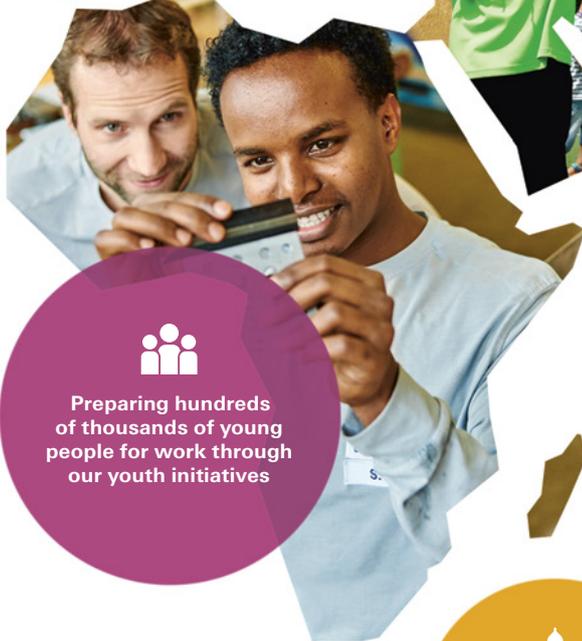




Leading efforts to promote sustainability and working together for the future



Over 50 million children eat better and exercise more thanks to Nestlé's children's programmes



Preparing hundreds of thousands of young people for work through our youth initiatives



Giving 513 000 people access to clean water and sanitation



Helping 2 million women develop skills



Building on Creating Shared Value

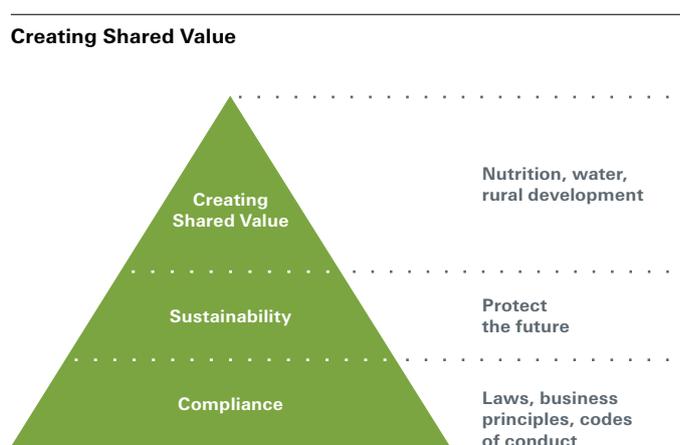
Looking to the future, Creating Shared Value remains the fundamental guiding principle for how Nestlé does business. CSV is the strategy tool that Nestlé uses to operationalise and manage all the actions it takes to ensure it creates value for shareholders and for society. This is how Nestlé brings its purpose to life – to enhance quality of life and contribute to a healthier future.

Our focus areas are firmly embedded in our purpose. Individuals and families, our communities and the planet as a whole are interconnected, and our efforts in each of these areas are supported through our 42 specific commitments, the vast majority of which have been reframed and feature objectives to 2020. These commitments will, in turn, enable us to meet our ambitions for 2030 in line with the timescale of the Sustainable Development Goals (SDGs).

Our purpose and timetable allow us to take Creating Shared Value a step further, while adhering to our fundamental belief that our business will be successful in the long term by creating value for both our shareholders and for society as a whole. Our positive impact on society focuses on enabling healthier and happier lives for individuals and families, on helping the development of thriving and resilient communities, and finally, on stewarding the planet's natural resources for future generations, with particular care for water.

As we move into a new period in our company's history, we will continue to evolve and strengthen our approach to Creating Shared Value as the way we do business, ensuring that its thinking continues to inform all our behaviours, policies and actions.

We will also continue to prioritise key areas where value creation can be maximised for shareholders and society, and report transparently on our progress. Our progress can also be tracked by our rankings in leading indices.



Why is CSV important for investors?

The *Nestlé Articles of Association* state that Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation. This is entirely consistent with our fundamental belief that Creating Shared Value is the way we should do business – that what is good for shareholders should also be good for society.

Investors are increasingly recognising that the value of companies is in intangibles and that looking only at the financial balance sheet is no longer sufficient. Global initiatives such as the Principles for Responsible Investment and the Sustainable Stock Exchanges initiative, which is supported by Nestlé, are playing an increasing role in promoting responsible investment and integrating sustainable development into the mainstream.

For long-term investors particularly, Creating Shared Value is important in that it supports the long-term health of the company. With its emphasis on both shareholders and society, the CSV approach to business helps us define which products and services are in line with the expectations of society.

For example, we have recently analysed the performance of our businesses with an above-average Nutrition, Health and Wellness (NHW) dimension in terms of performance against our 60/40+ and Nutritional Foundation criteria. This showed that these businesses performed better than those businesses where the NHW dimension was below average.

Our forward-looking materiality analysis (page 44) helps us anticipate consumer trends including potential legal challenges and ensures we continue to meet consumer expectations of sustainable behaviour. The latest matrix shows that issues such as over- and under-nutrition, water and responsible marketing are central to the delivery of our business strategy, while climate change and human rights are vital for our business success.

Our *Creating Shared Value* report gives investors an insight into our performance on a range of issues by outlining our commitments, targets and progress annually while also

explaining the broader context of our operations. Our detailed online report gives a fuller narrative and uses the Global Reporting Initiative G4 guidelines and other leading frameworks such as the UN Guiding Principles Reporting Framework to provide data that can also be compared with others in the sector.

The information in our reports is also used by leading indices to assess our performance and our progress (see page 8).

With the launch of the Sustainable Development Goals, companies and investors have an opportunity to collectively make a huge contribution to the creation of a sustainable society. We welcome feedback on our report and look forward to dialogue with investors on the topics raised here.

Investor benefits

For investor benefit information by impact area, please see pages 22, 26, 31, 36 and 43.

Our contribution to the Global Agenda

We are framing our Creating Shared Value agenda closely with the United Nations 2030 Agenda for Sustainable Development. Having had the opportunity to participate in shaping the 17 Sustainable Development Goals (SDGs), the private sector has also assumed responsibility towards delivering those goals.

We have integrated the SDGs into our CSV approach, which allows us to identify those goals where we can add most value. We have mapped our material issues against the SDGs to help us do this. This is published in our online CSV report.

Driven by our company purpose to enhance quality of life and contribute to a healthier future, we have defined three overarching ambitions which will guide our work towards achieving our 2020 commitments and supporting the achievement of the SDGs. These ambitions are to:

- Enable healthier and happier lives: this will include helping 50 million children lead healthier lives;
- Help develop thriving, resilient communities: this will include helping to improve 30 million livelihoods in communities directly connected to our business activities; and
- Steward resources for future generations: this will include striving for zero environmental impact in our operations.

These ambitions stem from the recognition that we live in an interconnected world where our futures are inextricably linked.

We will leverage our scale to help meet these ambitions. However, achieving the SDGs will only be possible through more effective and dynamic partnerships at local, national and international levels. We strive to play our part and urge others to join this collective effort. We look forward to working with civil society, governments and others in making this a reality.

Our 2016 performance in leading indices



FTSE4Good

1st

We were the first breast-milk substitute manufacturer to be included in the FTSE4Good Index, and have retained our place for five years.



ACCESS TO
NUTRITION
INDEX™

2nd

We were ranked second out of 22 global food and beverage manufacturers in the 2016 Access to Nutrition Index™ (ATNI).

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

1st

With an overall score of 92 out of 100, we received industry-best scores in all three dimensions (economic, environmental and social) of the 2016 Dow Jones Sustainability Index (DJSI). The DJSI is a globally recognised independent benchmark that measures the performance of the largest 2500 companies.

5th

We were ranked fifth in *Fortune* magazine's 2016 Change the World list, an annual ranking of 50 companies that are 'doing well by doing good'.



A-

In October 2016, we received a 'Leadership' score of A- in the CDP Water Programme.

100A

In November 2016, we achieved a score of 100A in the Climate Disclosure Leadership Index from environmental sustainability ratings agency CDP.



OXFAM

2nd

Nestlé ranked second on Oxfam's Behind the Brands scorecard in April 2016.

Our company purpose

Enhancing quality of life and contributing to a healthier future



Our ambitions

For individuals
and families

Enabling healthier
and happier lives

For our
communities

Helping develop thriving,
resilient communities

For
the planet

Stewarding resources
for future generations



Our CSV impact areas

Nutrition, health
and wellness

Rural development

Our people,
human rights and
compliance

Water

Environmental
sustainability



Through our ambitions we are supporting the Sustainable Development Goals



Introducing our commitments

We publish these commitments to hold ourselves publicly accountable for our performance. We report annually to show progress. During 2016, we conducted an extensive internal review of our commitments and, in line with our ambitions, we introduced some new commitments to go further and deeper than previously. All 42 commitments are directly aligned with our business and the majority are now supported by objectives towards 2020.



Page 12



Page 23

Nutrition, health and wellness

Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children

Further decrease sugars, sodium and saturated fat

Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages

Address undernutrition through micronutrient fortification

Simplify our ingredient lists and remove artificial colours

Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly

Empower parents, caregivers and teachers to foster healthy behaviours in children

Market to children only choices that help them achieve a nutritious diet

Advocate for water as a top choice for healthier hydration

Leverage our marketing efforts to promote healthy cooking, eating and lifestyles

Apply and explain nutrition information on packs, at point of sale and online

Offer guidance on portions for our products

Partner for promoting healthy food environments

Build and share nutrition knowledge from the first 1000 days through to healthy ageing

Build biomedical science leading to health-promoting products, personalised nutrition and digital solutions

Rural development

Roll out rural development baseline assessments to understand the needs of farmers

Improve farm economics among the farmers who supply us

Improve food availability and dietary diversity among the farmers who supply us

Implement responsible sourcing in our supply chain and promote animal welfare

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

Provide climate change leadership

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

Reduce food loss and waste

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

Our people, human rights and compliance

Assess and address human rights impacts across our business activities

Improve workers' livelihoods and protect children in our agricultural supply chain

Enhance a culture of integrity across the organisation

Ensure that all Nestlé employees are covered by a certified safety and health management system

Enhance gender balance in our workforce and empower women across the entire value chain

Provide effective grievance mechanisms to employees and stakeholders

Roll out the *Global Youth Initiative* across all our operations

Provide training on *Corporate Business Principles*, Nutrition and Environmental Sustainability

Advocate for healthy workplaces and healthier employees

Nutrition, health and wellness

Inspired by our founder Henri Nestlé, guided by our values and with nutrition at our core, we work alongside partners to offer individuals and families products, services and knowledge that enhance quality of life and contribute to a healthier future. This will help us reach our 2030 ambition to help 50 million children lead healthier lives.



'El Plato más Rico del Perú'
by Nestlé Peru helps parents
and caregivers prepare balanced
meals with the right portions
for children.

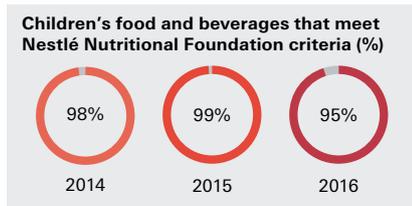


Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children

Good nutrition plays a role in the lives of people, beginning from conception, so it is important that individuals and families have tasty and healthy options to help them get more of the nutrients often missing from their diet.

Our progress to date

We seek to continually improve our foods and beverages for children by assessing them against the Nestlé Nutritional Profiling System (NNPS) criteria to determine their Nutritional Foundation (NF) status. A food or beverage must meet all the criteria to attain NF status, meaning that we consider it appropriate for consumers as part of a balanced diet.



Ensuring our products are both nutritious and tasty can be challenging, and yet, through tailored innovations, careful monitoring and action plans, 95% of our foods and beverages for children met all the NNPS criteria, and therefore reached NF status, by the end of 2016. These included our Popularly Positioned Products (PPPs), which use appropriate serving sizes, packaging and distribution channels to enable those on lower incomes to consume high-quality, nutritious foods and beverages.

Our objective towards 2020

- ⊕ By 2020: In both developed and developing countries, design and launch foods and beverages that address the daily nutritional needs and key nutritional gaps of infants, children up to age 12, new mothers and mothers-to-be.

 Commitment for infants and children

- Achieved
- Not yet achieved
- Ⓢ In progress
- ⊕ New objective

Further decrease sugars, sodium and saturated fat

Reducing sugars, sodium and saturated fat in our foods and beverages, and removing all trans fats originating from partially hydrogenated oils (PHOs) are key to our commitment to provide healthier and tastier choices. By reducing the levels of these nutrients in our foods and beverages through gradual, science-based renovation, we can improve health outcomes and decrease non-communicable diseases (NCDs).

Our objectives in 2016

- By 2016: Further reduce sugar content by 10% in products that do not meet the Nestlé Nutritional Foundation (NF) criteria with respect to sugar, to ensure continual improvement – including the more challenging areas of our product portfolio.
- By 2016: Further reduce sodium content by 10% in products that do not meet the NF criteria with respect to sodium, ensuring a gradual reduction even in more challenging areas of our product portfolio.
- By 2016: Further reduce saturated fats by 10% in products that do not meet the NF criteria with respect to saturated fats.
- By 2016: Remove trans fats originating from partially hydrogenated oils (PHOs) from all our foods and beverages.

Our progress to date

By the end of 2016, we had reduced our added sugar content by 8%, the equivalent of 39 000 tonnes. Our efforts in this area will continue through our new commitment on sugar reduction.



We have also continued to reduce the sodium content of our products to help consumers achieve a sodium intake of 2 g per day, the level recommended by the World Health Organization (WHO). By the end of 2016, we had reduced sodium content by 10.5% in our foods and beverages, equivalent to an overall salt reduction of 2 700 tonnes. While this means we have exceeded our

10% reduction objective, our efforts in this area will continue through our new commitment on sodium reduction.

By the end of 2016, we had reduced the saturated fat content by 6.5%, equivalent to 6 200 tonnes. Developing new technologies, carrying out stability studies and investing in equipment are required to reduce saturated fats across our portfolio. To complete these activities, while offering tastier and healthier choices to our consumers, we require more time and have therefore extended the deadline for this specific commitment.

More than 99.8% of the fats and oils we will use in our foods and beverages from 1 January 2017 will not contain trans fats originating from PHOs.

Our new objectives will help us further reduce the sugar, sodium and saturated fat content in our foods and beverages by 2020.

Our objectives towards 2020

- ⊕ By 2020: Reduce the sugars we add in our products by 5% to support individuals and families in meeting global recommendations.
- ⊕ By 2020: Reduce the sodium we add in our products by 10% to support individuals and families in meeting global recommendations.
- ⊕ By 2020: Complete the 10% commitment taken in 2014, to reduce saturated fats by 10% in all relevant products that do not meet the NF criteria with respect to saturated fats.

Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages

Balanced diets make space for ingredients such as vegetables, grains, pulses, nuts and seeds, as they are excellent sources of fibre, vitamins, minerals and other essential nutrients. Dietary intake studies around the world indicate that these nutrient-dense foods are lacking in the daily food choices of both children and adults. We are committed to encouraging their consumption through our products and by promoting healthy cooking, providing nutrition guidance on-pack and online where relevant.

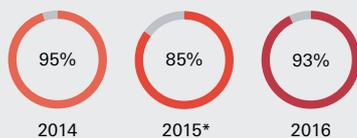
Our progress to date

Through Cereal Partners Worldwide (CPW), our joint venture with General Mills, we have set whole grain requirements for all of our cereal brands 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, and have been applying a more stringent standard for classifying whole grains as the main ingredient since 2015. Under this standard, 93% of our cereals for children and teenagers have now achieved our objective for whole grains.

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 made have not adversely affected consumer preference.

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



* In 2015, we adopted a more stringent tracking methodology for whole grains.

Building on our 2015 objective to have more whole grain than any other ingredient in any serving of children's or teenagers' breakfast cereals, our new 2020 objectives will further drive the addition of vegetables, grains, pulses, bran, nuts and seeds to our foods and beverages. It will also ensure our ready-to-eat breakfast cereals are an increasingly important source of fibre and essential nutrients.

Our objectives towards 2020

- ⊕ By 2020: Add to our products at least 750 million portions of vegetables, 300 million portions of fibre-rich grains, pulses, nuts and seeds.
- ⊕ By 2020: In addition to whole grain already being the number one ingredient in our ready-to-eat breakfast cereals for children and teenagers, all our cereals will be a source of fibre, with as much fibre as possible coming from whole grain.

Address undernutrition through micronutrient fortification

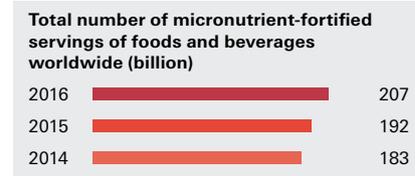
An estimated 2 billion people – over 30% of the world's population – suffer from deficiencies in essential vitamins and minerals, especially the 'Big 4': iron, iodine, vitamin A and zinc. Micronutrient deficiencies disproportionately affect infants, young children and women, preventing them from achieving their full potential in life. The consequences of this can be devastating, leading to mental impairment, poor health, low productivity and, in severe cases, death. Even mild to moderate deficiencies can affect a person's well-being and development. Ideally, these nutrients should come from a balanced, varied diet but this is not always possible, particularly in developing countries. We have a responsibility, as well as an opportunity, to improve the nutrition status of people at risk by adding relevant micronutrients to foods and beverages consumed regularly by vulnerable populations.

Biofortification can also make crops more nutritious by selecting and breeding plant varieties that are naturally rich in micronutrients. It can contribute to the nutrient density of diets that are based mostly on staple foods and for those people who may not have access to fortified processed foods.

Our objective in 2016

- By 2016: 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.

Our progress to date



We continue to enhance the micronutrient profile of our foods and beverages, and adapt their level of fortification to address the nutritional status and deficiencies prevalent in specific markets. For example, the global popularity and market reach of our *Maggi* product range give us a solid platform for helping address micronutrient



deficiencies at scale. Almost 103 billion individual servings of Nestlé soups, condiments, seasonings and noodles were fortified in 2016, of which 59 billion were fortified with iron.

We also fortify cereals and milk to provide additional nourishment for vulnerable groups, such as school-age children and expectant mothers. Overall, 83.5% of affordable Popularly Positioned Products (PPPs) for lower-income consumers were fortified with at least one of the 'Big 4'.

Working with agricultural research institutes and the HarvestPlus programme, we are also seeking to develop and establish supply chains for biofortified crops. In Nigeria, we are blending pro-vitamin A biofortified maize with normal maize, and reserved more than 1000 tonnes of grain in 2016 for use in our branded cereal porridge. Our R&D Centre in Abidjan, Côte d'Ivoire, is also exploring opportunities in biofortified cassava, wheat, rice and maize with partners in Madagascar, Turkey, Brazil and India.

Our objectives towards 2020

- ⊕ By 2020: Reach millions of children and families with fortified foods and beverages.
- ⊕ By 2020: Initiate collective actions to reduce micronutrient deficiencies in 10 countries.
- ⊕ By 2020: Continue to develop the supply chain for biofortified crops and expand our fortified portfolio.



***Outshine*: a healthier choice**

Outshine, one of our key brands in the United States, is pioneering healthier choices in the ice cream business. Nestlé USA has been on a 10-year journey to deliver a healthier recipe without compromising on the unique taste offered by frozen fruit bars. In 2016, our ice cream experts successfully managed to increase real fruit content by 77% and reduce sugar by 11% in our top eight *Outshine* Fruit Bars, while maintaining consumer preference in taste and texture (a difficult task as iciness increases as sugar decreases). With a simple list of ingredients that shows real fruit first, our consumers now enjoy a delicious, creamy fruit bar knowing that they have made a healthier choice. And our work is not yet complete; in 2018, we plan to further reduce added sugar from the *Outshine* range to continue giving consumers the wholesome goodness of fruit and vegetables while maintaining a delightful experience.

Simplify our ingredient lists and remove artificial colours

New generations of consumers are increasingly seeking reassurance about the composition of the food they buy, and new health trends have reinforced the demand for transparency, authenticity and higher value ingredients.

Our progress to date

To meet new consumer expectations regarding our foods and beverages, we have been transforming our portfolio through our 'Kitchen Cupboard' approach, which focuses on using familiar and recognisable natural ingredients, such as vegetables, spices, herbs and flours. 'Kitchen Cupboard' also seeks to simplify ingredient lists, increase the vegetable and whole grain content, and reduce the salt and sugar in our foods and beverages.

We are complementing this approach by accelerating the removal of artificial additives, flavours and colours, and by providing transparent, easy-to-read information about their use.

Our objectives towards 2020

- ⊕ By 2020: Remove all artificial colours from our products.
- ⊕ By 2020: Continue removing unfamiliar ingredients.

Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly

We believe that breast-milk is the ideal nutrition for babies. This is why we promote the World Health Organization (WHO) recommendation (the WHO Code) to exclusively breastfeed infants for the first six months of life, followed by the introduction of adequate nutritious complementary foods along with sustained breastfeeding up to two years of age and beyond.

Our objectives in 2016

- ① Ongoing: Ensure that the practices of the Nestlé Nutrition business consistently meet the FTSE4Good Index breast-milk substitute (BMS) criteria.
- ① Ongoing: Continue to strengthen our policy and procedures to maintain industry leadership on the implementation of the WHO Code.
- ① Ongoing: Continue to report publicly on our progress on the implementation of our policy on the WHO Code.

Our progress to date

We strengthened our capacity to provide an environment conducive for breastfeeding through our global *Maternity Protection Policy*, which includes the right to extend maternity leave up to six months and flexible work arrangements. We currently have 302 breastfeeding areas and will equip all premises with more than 50 female employees with breastfeeding rooms by 2018.

In 2016, through our Nestlé *Start Healthy Stay Healthy* programme, we partnered with several public and private organisations, opening 945 breastfeeding rooms in India and about 1500 in China. We have also developed a breastfeeding room locator mobile app for mothers.

We have made commitments to support breastfeeding-conducive work environments through the Every Woman, Every Child movement and the Clinton Global Health Initiative, and encourage other stakeholders and companies to follow.

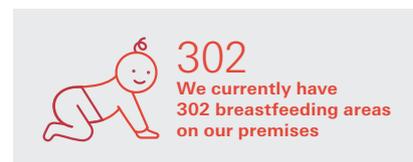
For children who cannot be breastfed as recommended, infant formula is the only suitable breast-milk substitute (BMS) recognised as appropriate by the WHO. We are committed to fully complying with the WHO Code as implemented by national governments throughout the world, as a minimum. In 152 countries considered to be

higher-risk in terms of infant mortality and malnutrition, we voluntarily apply our own stringent policy when it is stricter than the national code.

We are proud to have been the first BMS manufacturer included in the FTSE4Good Index and to have consistently met its rigorous criteria for the responsible marketing of BMS since 2011. We were also ranked first in the sub-index of the Access to Nutrition Index's pilot assessment of BMS marketing policies and practices.

We continue to strengthen our compliance management system. We have enhanced our internal and external grievance mechanisms, such as 'Tell Us' – through which anyone can raise concerns about our BMS marketing practices – and we have made the training of our staff working in infant nutrition global, to reinforce their capacity to market our infant products responsibly.

In 2016, our practices were audited in 37 different countries by corporate auditors, in three countries by Bureau Veritas and in one by PricewaterhouseCoopers. Our progress is shared on our corporate website.



Our objectives towards 2020

- ⊕ By 2018: Ensure that all provisions supporting breastfeeding in our *Maternity Protection Policy* are implemented.
- ⊕ By 2020: Advocate for a breastfeeding-friendly environment by supporting the set-up of breastfeeding rooms in communities where we operate.



Empower parents, caregivers and teachers to foster healthy behaviours in children 👤

Good nutrition and feeding practices during the first 1000 days of life, from conception to a child's second birthday, lay the foundations for lifelong health and well-being. It is therefore important for mothers to establish healthy eating habits for themselves and their children.

Our objective in 2016

- ➊ Ongoing: Provide nutrition education for parents and caregivers on the importance of the first 1000 days of life (from conception to the child's second birthday), including maternal nutrition during pregnancy and promoting breastfeeding as the best start in life.

Our progress to date

We aim to foster healthy behaviours in children and families through three programmes, each with a specific focus. While these have the same broad objectives, each differs in size, scope and approach, and is delivered through different channels to target specific groups:

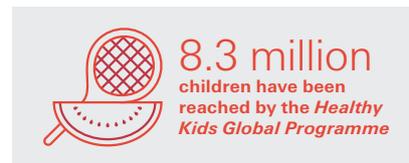
- Nestlé *Start Healthy Stay Healthy First 1000 Days Nutrition*, which educates parents on the importance of nutrition in the first 1000 days of life;
- Nestlé *Healthy Kids Global Programme*, dedicated to empowering teachers and children with nutrition education and promoting healthy lifestyles in the school environment; and
- *United for Healthier Kids*, which encourages healthier behaviours in children through the engagement of parents and partners.

The Nestlé *Start Healthy Stay Healthy First 1000 Days Nutrition* programme is an engaging e-learning course, created by nutrition scientists and based on the latest scientific findings and public health data. It helps mothers understand what to feed, how to feed and why the first 1000 days are crucial to their baby's future health. By the end of 2016, the programme was live in more than 40 markets and had reached 55 million people through media.

Our Nestlé *Healthy Kids Global Programme* helps children and adolescents balance good nutrition and healthy hydration with an active lifestyle. Through their teachers, they learn the basics of nutrition, and gain practical advice on good eating and drinking habits. The programme's framework is flexible, enabling schools to tailor it

to the specific health and nutritional needs of their communities. With new programmes established in Gabon and Palestinian territories, we are now active in 84 countries.

We have also established *United for Healthier Kids*, a pioneering, comprehensive, science-based programme with a social media core. Through engagement with local public and private partners, it intends to provide parents of children under 12 years with new tools to inspire and enable behavioural change. Over the last two years, *United for Healthier Kids* has reached more than 170 million parents and is now active in 10 countries.



Our objectives towards 2020

- ⊕ By 2018: Maintain existing Nestlé *Healthy Kids* global programmes, while measuring their impact on children based on five globally defined goals: eat nutritious and diverse meals; manage portions; choose water; play and be active; and maintain good hygiene habits.
- ⊕ By 2020: Support 50 million children through our nutrition education and behaviour change programmes; an important milestone towards our wider 2030 ambition.

Market to children only choices that help them achieve a nutritious diet 👤

We have long been a proponent of responsible marketing to children. Our own communication principles, as well as the Nestlé *Policy on Marketing Communication to Children*, mandate that all communication to children follow responsible marketing principles and are limited to foods and beverages that meet a specific nutritional profile.

As a founding member of the International Food & Beverage Alliance (IFBA), we are also committed to complying with its Global Policy on Advertising and Marketing Communications to Children.

Our progress to date

We are committed to continuing to raise awareness on all criteria for marketing to children across our organisation, and have developed a tailor-made web-based tool to embed understanding of our policy among our marketers and external agency partners. This tool is based on Nestlé brand examples and, having been piloted in six markets, it has been rolled out at the end of 2016.

We also work with our industry partners to establish pledges on marketing to children; in particular, in countries where there is no self-regulation or regulation of advertising. In 2016, new pledges were established and strengthened in many countries, and these industry commitments now extend to 51 countries.

Our objectives

- ➊ By 2017: In support of the implementation of the Nestlé *Policy on Marketing Communication to Children*, we will roll out targeted training for our marketing teams globally.
- ➋ By 2017: Promote to children only choices that are core to a nutritious diet.

Advocate for water as a top choice for healthier hydration

We seek to help build healthier generations by sharing our knowledge on hydration habits, and promoting plain water from any source as a top choice for hydration by individuals and families. Our Healthy Hydration Roadmap drives our approach during 2016 and beyond.

Our progress to date

We have collaborated with the University of California at Davis on a recent study published in the journal *Appetite*, which tested the benefits of drinking water on working memory and attention among children aged 9–12. The results suggest that water intake that leads to moderate hydration status changes improves cognitive performance.

Based on the findings from such studies, we are working with public health bodies, academics, non-governmental organisations (NGOs) and the private sector on campaigns promoting water as the recommended choice for healthy hydration.

For example, Nestlé Waters Mexico teamed up with the country's Federal Ministry of Health to create a National Family Hydration Programme. After the launch event in July 2016 in Mexico City, which attracted more than 40 000 people, we undertook a media tour to five other major cities and staged healthy hydration-themed roadshows called Hydration Brigades at the country's leading universities. We are exploring plans to deploy similar initiatives in other countries.

Nestlé Waters North America supports the Drink Up initiative, of which Michelle Obama is the honorary chair. Drink Up is run by the Partnership for a Healthier America, which works with the private sector to urge Americans to drink water.

Our objectives towards 2020

- ⊕ By 2017: Build and share research data to document global hydration habits and support public health strategies.
- ⊕ By 2020: Promote water as a top choice for healthier hydration in at least 10 countries.



Fortified Maggi in Guatemala

Over 30% of the world's population suffers from deficiencies in essential vitamins and minerals, especially the 'Big 4': iron, iodine, vitamin A and zinc. Condiments, which are used throughout households across Central America, have proven to be an effective carrier for micronutrient fortification because they are consumed widely and frequently, and build on existing eating habits. Nestlé's campaign, 'Cooking a Better Future Together', in Guatemala uses two of our popular brands, *Maggi* and *Malher*, to offer products that deliver 15% of the daily requirement of iron, as per our *Policy on Micronutrient Fortification of Foods and Beverages*, at an affordable price.

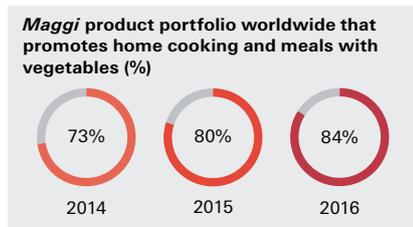


Leverage our marketing efforts to promote healthy cooking, eating and lifestyles

With our global reach, Nestlé is well positioned to leverage brand communications through media channels. The products we sell every day enable us to support healthier lifestyle messages and promote good eating habits across those contact points.

Our progress to date

The belief that lies behind our *Maggi* brand is that good eating habits start in the kitchen. In 2016, we continued to promote home cooking and healthy meals with vegetables through 84% of our *Maggi* portfolio.



The *Maggi Cooking Lesson Programme* encourages children and parents to get involved in home cooking and helps consumers craft delicious, well-balanced meals. The initiative comprises cooking lessons for adults, teenagers and children, as well as menu ideas, recipes and practical cooking tips. During 2016, we extended the global reach of the programme to 35 countries.

We also use our marketing reach to promote healthy, active lifestyles. Through brand commitments in Africa, Oceania and Asia, *Milo* sports programmes reached 22 million children in 2016 through grassroots sports initiatives, in partnerships with governments and sporting organisations. *Milo* has also launched a new activity tracker and app in Australia, the Philippines and Indonesia, helping parents to ensure their children are being physically active.

Our objective towards 2020

- ⊕ By 2020: Double the outreach of our efforts to promote healthy cooking and eating, and healthy lifestyles for individuals, families and their pets.

Apply and explain nutrition information on packs, at point of sale and online

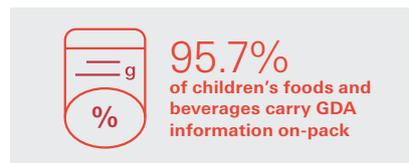
To empower people to make informed choices about what they consume, we provide clear information about ingredients, nutritional benefits, health information and portion size on all our packaging. This information must be truthful, meaningful, transparent and scientifically substantiated, and cannot mislead. We strive to ensure that our labelling is fully accurate, and declares the absence of a nutrient, ingredient or substance that a consumer might wish to avoid, such as sugar or saturated fats.

Our objectives in 2016

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

Our progress to date

Labels that use GDAs detail the nutritional composition of a typical serving of food or beverage, compared to reference daily guidelines for calories, sugars, fats and other nutrients. We have accelerated the implementation of GDA information over the last two years and, in countries where labelling regulations allow them, 92.3% of our relevant foods and beverages now have GDA-based labels on front of pack.



Due to differing regulations and labelling protocols around the world, not all countries allow GDA-based labels to be implemented on the packaging. Nonetheless, we remain committed to providing GDA percentages on all packaging wherever possible and

seek to tailor the information we provide in each market to make it as relevant, visible and accessible as possible for local consumers.

People can learn more about what they consume through our *Nestlé Nutritional Compass*. The compass presents a variety of information including at least the nutritional composition of each product, contact details for more information and, whenever possible, lifestyle and nutrition tips. The *Nestlé Nutritional Compass* was displayed on 96.4% of our foods and beverages at the end of 2016.

To meet the increasing consumer demand for product information, we have expanded the use of Quick Response (QR) codes displayed within the *Nestlé Nutritional Compass*. QR codes give consumers with smartphones easy access to online information, enabling them to go 'beyond the label' and learn more about a brand's or product's nutritional, environmental and societal contributions. In 2016, QR codes linked to additional product information and nutrition advice on more than 4400 websites across over 90 brands in 50 countries.

Our objective towards 2020

- ⊕ By 2020: Continue providing detailed product nutrition facts with daily value percentages, ingredients and allergens, and add special diet information, nutrition labelling explanations and healthy eating tips on all our relevant packs, as well as on our websites and e-retailer sites, to better enable informed choices.

Offer guidance on portions for our products

Around the world, inappropriate portion sizes contribute to imbalanced eating habits and lead to adverse health outcomes. We believe we share the responsibility for guiding consumers towards a healthy diet in terms of consumption quantity, frequency and quality.

Our objective in 2016

- 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.

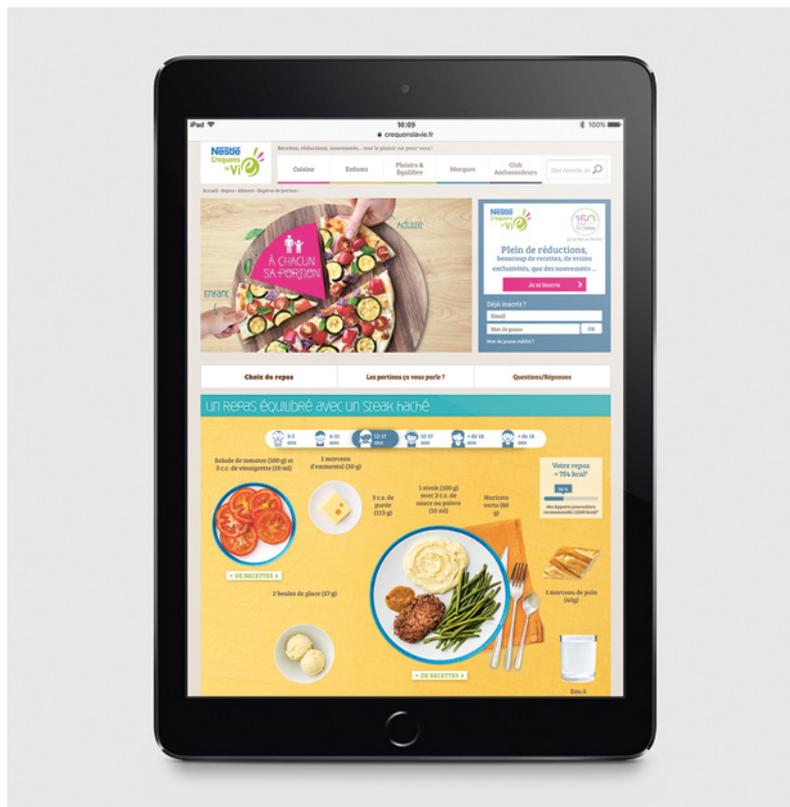
Our progress to date

Nestlé's voluntary *Portion Guidance* is made available through product form, pack design, clear illustrations and, when possible, a serving device or dispensing machine. Around two-thirds (66.7%) of our children's and family products currently offer specific *Portion Guidance*. On products that have a more significant impact on the overall diet of children, such as recurring and more indulgent choices, 80.5% provided *Portion Guidance*.

We also continue to make our recipe sites more accessible and user friendly, and integrate information on age-appropriate portion sizes. This helps consumers understand the nutritional value of what they are consuming and redefine their portion habits, particularly for energy-dense foods and beverages.

Our objectives towards 2020

- By 2020: Continue providing guidance on portions globally on all children's and family product packs and add frequency of consumption indications on relevant products.
- By 2020: Extend our guidance on portions to our consumer recipes, and relevant teenager and adult products.
- By 2020: Gradually increase the proportion of guidance on portions provided through product form, pack design, serving device or dispenser to make it even more intuitive than on-pack messaging.



Portion Guidance in France

In France, Nestlé's *Portion Guidance* programme is delivered in several complementary ways – from product packaging to engaging online information (www.croquonslavie.fr/idee-repas). Additional information is made available to healthcare professionals to assist them when advising patients. These include an article in a peer-reviewed scientific journal, a brochure and tools. By the end of 2016, 85% of Nestlé France's children's and family products carried *Portion Guidance*.



Partner for promoting healthy food environments

Extending our holistic approach to nutrition, health and wellness to the point of purchase, we aim to scale up our partnerships with retailers and food professionals in different regions, enabling those environments to inspire healthier eating habits and lifestyles for individuals and families.

Our progress to date

We want to scale up our current in-store knowledge and practices by leveraging retailer strategies on healthy living. In-store programmes will be defined through long-term collaborations with our strategic retailer partners to fit their own strategies and environments, and continuously help individuals and families make healthier options the easy choice. Such programmes may include initiatives such as promoting healthier diets and lifestyles throughout life, healthier shopping baskets in store and online, healthier choices at checkouts, healthier lunch boxes, skin protection, good sleeping habits, and responsible marketing communications directed at parents and caregivers.

As well as making the store a destination place to inspire a culture of prevention and nudge individuals and families to take incremental steps towards healthier eating habits and living, we will also develop a methodology that can be scaled up to engage further partners.

Our objective towards 2020

- ⊕ By 2020: Partner with retailers and food professionals to foster environments that promote healthier diets and lifestyles.

Build and share nutrition knowledge from the first 1000 days through to healthy ageing

As we believe food is the largest single influence on our health, we seek a deeper understanding of the dietary intake, lifestyle and health status of infants, children and older adults. The findings from our large-scale research projects help define our product developments, consumer communication and educational programmes, and inform dialogue with the scientific and medical communities.

Our objectives in 2016

- Ongoing: Offer nutrition education services and programmes for healthcare professionals addressing global under- and over-nutrition problems.
- By 2016: Launch large-scale research projects in at least 10 countries, including the United States, Mexico, China and Russia, to expand understanding of children's nutrition and inform our own product and service development.
- 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 better define health globally for the management of disease using nutritional solutions.

Our progress to date

We have launched major research initiatives in nine markets through two major studies, the results of which are made available to healthcare providers and policy-makers:

- The Feeding Infants and Toddlers Study (FITS) deepens our understanding of the eating patterns and nutritional intake of infants and toddlers from birth to four years old; and
- The Kids Nutrition and Health Study (KNHS) focuses on the food and nutrient intake of children aged 4–12, when many dietary and activity habits are formed, as well as on their relationship to lifestyle and behaviour patterns.

In 2016, we continued to analyse results from the United States, Mexico and China, and led new studies in Russia, Australia and the Philippines. Initial findings suggest that more children are skipping meals, fibre and vegetable consumption is lower than recommended levels, and deficiencies in calcium and vitamin D are common.

We also completed the analysis of a pilot study in São Paulo, Brazil, and conducted a preparatory literature review in the Middle East with the American University of Beirut. We are currently preparing three new data collection studies.

Our research network includes the Nestlé Institute of Health Sciences (NIHS), which specialises in metabolic, gastrointestinal and brain health, and healthy ageing. Its research into the interaction between diet, lifestyle, inherited genetic factors and individual metabolism among certain groups – including the elderly, mothers, infants and young children – and in specific countries will shape our product innovation work and related services.

The Nestlé Nutrition Institute (NNI) is the world's largest private publisher of nutritional information, sharing science-based data and research findings with healthcare professionals, scientists and nutrition communities. Approximately 302 000 registered members from 194 countries now have access to a global website and 13 country-specific sites, helping us meet our 2017 objective a year early.

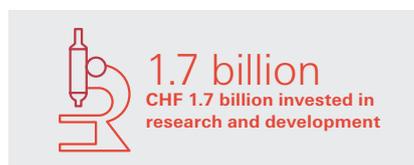
Our objectives towards 2020

- ⊕ By 2020: Build knowledge on the associations between nutrition or lifestyle, and biomarkers of health in mothers and children through the EpiGen collaboration.
- ⊕ By 2020: Build further knowledge on dietary intake, eating behaviours and lifestyle in infants and children.
- ⊕ By 2020: Develop a deeper understanding of dietary intake, preferences and lifestyle habits during ageing.

Build biomedical science leading to health-promoting products, personalised nutrition and digital solutions

Nestlé Health Science (NHSc) is engaged in advancing the therapeutic role of nutrition. Our nutrition therapies are founded on strong scientific research and an in-depth understanding of consumers and healthcare providers. These findings will enable earlier interventions, build clinical evidence and create a science-based innovation pipeline to address unmet and under-served needs.

Our progress to date



Nestlé offers a range of specialist nutrition products designed to meet the needs of people with specific conditions or nutrition needs related to ageing. To support consumers throughout their lives, we have created new business areas dedicated to innovative therapies. NHSc seeks to develop scientific methods to improve health through nutrition, while Nestlé Skin Health offers science-based solutions for skin, hair and nails.

- Our science-based nutritional solutions to support healthy ageing include leading brands such as *Boost*, *Meritene*, *Nutren Senior* and *Sustagen*. We also studied 14 000 people in 10 countries to understand the attitudes, health status and habits of global consumers aged 50 and over.
- To address food-related digestive discomfort and Irritable Bowel Syndrome (IBS), NHSc launched www.LowFODMAPCentral.com to provide consumers and healthcare professionals with information on diets that eliminate short-chain carbohydrates, which are not easily absorbed in the small intestine. Our *ProNourish* nutritional drink also makes it easier for consumers to follow such diets.
- We are helping US company Accera to fund clinical trials in *Axona*, a prescribed medical food for patients with mild or moderate Alzheimer's disease, and initiated clinical trials in *VitaFlo*, a nutritional drink that may improve seizure control in children.
- NHSc co-funded the *CoMiSS* tool to help primary healthcare professionals

recognise the symptoms of Cow's Milk Protein Allergy (CMPA) and intervene earlier. NHSc also began a collaboration with French company DBV Technologies to develop a patch-test tool for diagnosing CMPA in infants.

- To support critically ill people, and older people suffering from malnutrition or who have difficulty swallowing, NHSc is collaborating with GE Healthcare on integrated management systems that improve nutrition while in intensive care. We have also launched two online resources to help patients transition to tube feeding at home while maintaining a normal life.

The data from sensors and devices in our daily lives, such as mobile phones, wearables and 'smart' homes, can help us understand our nutrition and activity, and guide us towards a healthier lifestyle. Our long-term aim is to combine this increasingly connected technology with breakthroughs in nutrition science, to make health preservation more personal and help people understand their own nutritional status, lifestyle, environment and genetics.

The Nestlé Institute of Health Sciences (NIHS) has begun a research collaboration with the Samsung Strategy and Innovation Center (SSIC) to harness the combined power of nutrition science and digital sensor technologies. Together, we will provide individuals and families with personalised recommendations around nutrition, lifestyle and fitness through a single digital health platform. The first pilots are scheduled to begin in early 2017.

Our objectives towards 2020

- ⊕ By 2020: Develop new interventional nutritional solutions driven by studies and diagnostic profiling. These programmes will focus on key areas such as metabolism, gastrointestinal and brain health, healthy ageing, skin health and pets.
- ⊕ By 2020: Develop digital nutrition profiling for calculating nutrient intakes, as well as for making recommendations for nutritional balance, into a comprehensive tool to assist individuals and families to lead happier and healthier lives.

Investor benefits

Products with a nutrition, health and wellness dimension perform better. This has been demonstrated in a recent analysis, which compared products that are above average in terms of meeting our 60/40+ taste preference and Nutritional Foundation criteria with those that are below average. Our health and wellness work helps us stay ahead of regulations, the non-compliance of which could result in major costs. The market for healthier foods and beverages is growing. There is a demonstrated opportunity for increased revenue through sales of such products.

Rural development

We source supplies of raw materials from millions of farmers across the world. These farmers are critical to a secure, long-term supply, and therefore to our success. By understanding and managing where and how our ingredients are produced, and the issues farmers and their communities face, we can help develop thriving communities and support better livelihoods for those with whom we live and work.



The *Nescafé* Coffee Center in Pu'er, Yunnan Province, China, provides training and quality assurance services to local coffee farmers.

Roll out of rural development baseline assessments to understand the needs of farmers

We use diagnostic tools such as our Response-Inducing Sustainability Evaluation (RISE) and the Rural Development Framework (RDF) to help us deliver a consistent approach to rural development and contribute to enhancing rural livelihoods, ensuring that our activities address real issues on the ground. These feed into existing rural development activities in the *Farmer Connect* programme, by further identifying areas for interventions.

Our objective in 2016

- By 2016: Put in place strategies (activities and targets) in priority locations to improve food availability and dietary diversity. Pilots running in three locations.

Our progress to date

The RDF has been mainly applied in our coffee supply chain since it was introduced. In 2016, we began to roll it out into other categories. We are using the insights gained through the RDF to help shape the focus of our plans and programmes by addressing the root causes of issues, such as poor nutrition and poverty among the communities from which we source.

RISE continues to be systematically integrated into our development approach. It is particularly suitable to obtain a holistic view of mixed farming systems, including crop and animal production. In 2016, RISE studies were mainly conducted in Mexico, Pakistan and Ukraine on a variety of production systems. Some studies have allowed us to gather insights for agricultural production potential, whereas others served to identify gaps for continuous improvement.

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 farmers and local communities.

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

Improve farm economics among farmers who supply us

We aim to work with farmers to achieve safe, quality raw materials, and keep young and talented farmers in the business. One of the key drivers behind this is farm economics – if farms do not generate enough income, they will not retain young farmers. We therefore need to work with farmers to understand their businesses and their margins to help them grow, by focusing on quality and improving production. Through this, we will encourage and retain the next generation of farmers, which is essential to securing our supply chain.

Our progress to date

Number of farmers trained through capacity-building programmes

2016	363 000
2015	400 000
2014	376 000

We remain on track to meet our 2020 objective. In 2016, we continued to learn about the issues involved, such as the importance of improving farmers' nutrition and alleviating poverty. Through programmes such as the *Nescafé Plan* and the *Nestlé Cocoa Plan*, we launched or implemented a range of projects and activities, including new initiatives to support women in agriculture. We set up women's fora in Côte d'Ivoire to boost women's roles and, in Ecuador and Venezuela, women received training in new skills to diversify and grow their income streams.

Our objective towards 2020

- By 2020: Improve farm economics in seven priority sourcing locations based on the results of the RDF baselines. (Farm economics comprises the following four factors on which Nestlé will focus: productivity, quality, costs and price premiums.)

Improve food availability and dietary diversity among farmers who supply us

Farmers and their families sometimes have insufficient food or dietary diversity for themselves, particularly in parts of Africa. This can lead to health and other problems. We need to take what we have learned about this issue, and work with local non-governmental organisations (NGOs) to build the necessary framework to overcome this.

Our progress to date



During 2016, we gathered more detailed information on dietary diversity in Mexico and the Philippines, and commissioned further detailed research in Kenya. We were part of a study to gather similar information in Côte d'Ivoire and Ghana, and already hold information from Indonesia and China. Based upon insights from these studies, we are designing programmes to support farmers and their families to improve food availability and diversity. We train farmers on nutrition, promote intercropping, and help farmers develop and maintain kitchen gardens and livestock. In 2016, we introduced the concept of house gardening and growing vegetables for home use in Indonesia. We are also taking our *Nestlé Healthy Kids* programme to rural areas in Indonesia, the Philippines and Kenya. We continue working with Solidaridad to improve food security for farmers in Kenya and Ethiopia by increasing production and incomes. Solidaridad trains farmers on nutrition and coffee production, and developing intercropping to improve incomes, while we are developing training and support for kitchen gardens to improve nutrition.

Our objective towards 2020

- By 2020: Improve food availability and dietary diversity in five priority sourcing locations based upon the results of the RDF baselines.



Giving women a voice in Côte d'Ivoire

Within the communities in our cocoa supply chain, women's participation in community affairs has often been limited, and their grievances not adequately addressed. Nestlé and the Fair Labor Association have established women's fora in two cocoa-growing communities in Côte d'Ivoire: Yaokouakoukro and Zaranou. The platforms give women a voice in their communities and the opportunity to have any grievances addressed. In 2016, to support the new fora we provided training in effective dialogue and grievance-handling mechanisms, and supported two existing women's associations to improve their internal management. Training materials and techniques, such as role playing, were designed to suit the participants. The project will continue in 2017 to enable the women to have a greater say in their communities.

Implement responsible sourcing in our supply chain and promote animal welfare

Consumers and stakeholders increasingly want to know what is in their food, where it comes from and how it is made. Responsible sourcing is therefore an essential part of ensuring a sustainable future for our business. Our work towards achieving traceable and responsibly sourced ingredients focuses on 12 priority categories. These are the raw ingredients we source in the largest quantities or which are most important for our business.

Our objectives in 2016

- By 2016: For Tier 1 suppliers, cover 50% of the total volume sourced from audited and compliant suppliers.
- By 2016: For upstream, 50% of the volume of our 12 priority categories to be traceable, 40% to be Responsibly Sourced.

Our progress to date

We exceeded our targets, with 61% of total volume sourced from suppliers compliant with the *Nestlé Supplier Code* (SMETA and Ecovadis audited), 51% of raw ingredients in our priority categories being traceable and 44% Responsibly Sourced, although progress varies across categories due to individual circumstances in each supply chain. In 2016, we introduced cereals as a priority category, because of the high volume we purchase and its importance to our consumers and overall product portfolio. Assessments began within the cereals supply chain, with initial results due in 2017.

Our objectives towards 2020

- ⊕ By 2017: For Tier 1 suppliers, cover 60% of the total volume sourced from audited and compliant suppliers.
- ⊕ By 2017: For upstream, 60% of the volume of our priority categories to be traceable, 50% to be Responsibly Sourced.
- ⊕ By 2020: For Tier 1 suppliers, cover 80% of the total volume sourced from audited and compliant suppliers.
- ⊕ By 2020: For upstream, 80% of the volume of our priority categories to be traceable, 70% to be Responsibly Sourced.

Roll out the *Nestlé Cocoa Plan* with cocoa farmers

The *Nestlé Cocoa Plan* aims to improve the lives of farmers and their communities, and has three pillars of activities: better farming, better lives and better cocoa. We train farmers in better agricultural practices, distribute higher-yielding cocoa trees, promote gender equality, address the child labour issue and develop long-term relationships with farmer groups.

Our objective in 2016

- 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.

Our progress to date

We exceeded our objective by purchasing 140 933 tonnes of cocoa – 34% of our total – through the *Nestlé Cocoa Plan*. We also distributed 2.2 million new plants and trained 57 000 farmers. Our CLMRS roll-out continued, with all 69 co-operatives registered in the Plan at September being in the CLMRS by year end. As we increase the number of farmers from whom we source cocoa, we will continue to ensure they are covered by the system. We launched the CLMRS in Ghana, and will extend this in 2017. We are concentrating on growing the system in West Africa as it is the area of highest risk of child labour. In partnership with the Jacobs Foundation, we also added literacy training to the support offered to farmers and communities, and continued working to empower women, supporting 1073 women in Côte d'Ivoire to develop income-generating activities.

Our objectives towards 2020

- ① By 2017: Source 150 000 tonnes of cocoa through the *Nestlé Cocoa Plan*. All co-operatives in Côte d'Ivoire will adopt the Child Labour Monitoring and Remediation System within a year of joining the *Nestlé Cocoa Plan*.
- ① By 2018: Source 175 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.
- ⊕ By 2020: Source 230 000 tonnes of cocoa through the *Nestlé Cocoa Plan*.

Continuously improve our green coffee supply chain

We need to secure supplies of high-quality coffee, but ageing or diseased trees, declining yields, volatile prices and climate change threaten the livelihoods of smallholder farmers and the sustainability of the sector. Our response is to provide farmers with new routes to market, disease-resistant plants and technical assistance through the *Nescafé Plan* and the *Nespresso AAA Sustainable Quality Program*.

Our progress to date

In 2016, *Nescafé* purchased 204 163 tonnes of green coffee through *Farmer Connect*, 180 148 tonnes of which complied with the 4C standard, thus meeting its purchasing objective. *Nespresso* sourced 74% of its coffee through its *AAA Program*. *Nespresso* sources a very specific coffee quality through the *AAA Program*, buying from the same farmers every year. However, enduring droughts in Brazil and Colombia (including a transport strike in the latter) has resulted in insufficient availability of *AAA* coffee. Consequently, *Nespresso* was obliged to buy non-*AAA* coffee in 2016, but with exactly the same specifications.

We also distributed 28.3 million stronger, higher-yielding plantlets in 2016, taking our cumulative total to 129 million.

Our objectives towards 2020

- ① By 2020: *Nescafé* to source 90 000 tonnes of coffee that is compliant with the Sustainable Agriculture Network principles.*
- ① By 2020: *Nescafé* to improve the quality, quantity and sustainability of its coffee supply chain by distributing 220 million coffee plantlets.
- ① 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.

* During 2017, *Nescafé* will review this objective, to re-align it towards a reinforced emphasis on enabling positive impacts on coffee farmers, their communities and landscapes. This will support the focus of our efforts in relation to a clearly identified set of sustainability impacts for each of the coffee-growing regions.

Investor benefits

Our work establishing milk districts has enabled us to become the world-leading milk company. Our *Nespresso AAA Program* gives us a clear commercial differentiation. We can also distinguish ourselves from our competitors through our *Nespresso* supplier agreements, which have enabled us to become the first company to offer Cuban coffee in the United States. Our activities for the *Nescafé Plan* and the *Nestlé Cocoa Plan* have strengthened these businesses commercially. Consumers are increasingly wanting to know where their products come from and our traceability work ensures we meet their needs.

Water

Water is a universal human right. It is critical to every part of our value chain: our employees, suppliers, customers and consumers all need access to safe, clean water and sanitation, as do the farmers we work with and the communities in which we operate. As we are committed to responsible stewardship of this precious resource, we seek continuous improvement in our withdrawal, use and treatment of water.



Using zero water withdrawal technology at the *Nescafé Dolce Gusto* factory in Montes Claros, Brazil.

Work to achieve water efficiency and sustainability across our operations

As a nutrition, health and wellness company, water is key to our operations and products. We use it in cleaning and preparing our raw materials and for cooling and cleaning equipment. We also bottle water to provide healthy hydration solutions for our consumers. Although we have made real progress in recent years, we continuously seek to improve the sustainability of our withdrawal, use and treatment of water.

Our objectives in 2016

- By 2016: Define water stewardship initiatives and start implementation in five high-priority locations.
- By 2016: Implement water savings projects in 100% of high-priority manufacturing facilities.
- By 2016: Carry out 45 new Water Resource Reviews (WRRs) in selected manufacturing facilities and all greenfield sites.

Our progress to date

We implement programmes to reduce water withdrawal, reuse water and utilise alternative sources, such as rainwater. These efforts have enabled us to reduce water withdrawal per tonne of product by 25% since 2010. In 2016, CHF 31.6 million was assigned to water-saving programmes. We are currently conducting 516 water-saving projects at our factories, saving 3.7 million m³ of water a year. That's the equivalent of 1500 Olympic-size swimming pools.

Our Water Resource Reviews (WRRs) identify key risks and opportunities, and devise action plans for more sustainable water use. In 2016, we conducted 22 new WRRs in several countries, including Cuba, the USA, Vietnam and Switzerland. We have now reviewed 158 factories worldwide since the WRRs began 10 years ago, exceeding our objective, while Nestlé Waters has completed WRRs at 100% of its facilities.

We annually update our list of high-priority manufacturing facilities, which are sites located in areas of severe water stress or that represent a significant portion of our annual water withdrawals. In 2016, 24 factories were defined as high priority, with water saving projects implemented in 21 out of the 24.

In 2014, we became the first company to implement zero water withdrawal technology at a factory, in Jalisco, Mexico. We replicated these efforts in 2015 in Brazil, first by installing the technology at Palmeira das Missões and then incorporating the technology into the design of our *Nescafé Dolce Gusto* factory in Montes Claros. Four further factories in Brazil are expected to implement the zero water technology by 2018.



Our objectives towards 2020

- ⊕ By 2020: Implement detailed *guidelines on human rights to water and sanitation due diligence* in all Nestlé markets and key agricultural supply chains.
- ① By 2020: Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 35% since 2010.
- ⊕ By 2020: Carry out 40 new Water Resource Reviews (WRRs) in selected manufacturing facilities and all greenfield sites.
- ⊕ By 2020: Implement 10 new water stewardship initiatives in selected locations, with specific focus on high-priority manufacturing facilities.

Advocate for effective water policies and stewardship

Water is a shared resource. We are best placed to protect it when we work together with all stakeholders. That is why we engage in high-profile advocacy initiatives so that we can have a positive impact on global water issues.

Our objectives in 2016

- 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.
- 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 Guidance in our water due diligence in selected markets.
- ① By 2016: Support the World Business Council for Sustainable Development (WBCSD) to achieve 50 signatories of the WASH Pledge.
- 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.
- 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.

Our progress to date



We currently chair the 2030 Water Resources Group, a public-private-civil society collaboration that aims to address supply and demand issues in water-stressed locations by 2030.

We support the World Business Council for Sustainable Development (WBCSD) pledge to achieve access to safe water, sanitation and hygiene (WASH) for all employees. To ensure compliance with

- Achieved
- Not yet achieved
- ① In progress
- ⊕ New objective



the WASH Pledge, we continuously self-assess our facilities, identifying and correcting gaps through action plans. To date, 43 signatories have adopted the WASH Pledge, securing access to water and sanitation for 2.5 million employees. We also supported the WBCSD in its aim to reach 50 Pledge signatories by 2016.

In 2016, together with 19 companies and environmental organisations, Nestlé became a founding member of the California Water Action Collaborative (CWAC), a platform for stakeholders to work together on projects designed to improve water security in California for people, business, agriculture and nature. We are involved in two CWAC projects to determine how large-scale restoration can improve water supplies, and a collaboration to identify where the private sector can support the measurement, management and stewardship required.

Our objectives towards 2020

- ⊕ By 2017: Support the World Resources Institute (WRI) in the development of an open-source valuation methodology to determine the 'Sustainable Cost of Water'.
- ⊕ By 2020: Continue to build the 2030 Water Resources Group Public-Private Partnership by adding one more country per year.
- ⊕ By 2020: Actively support the development of CEO Water Mandate local networks in at least three Nestlé markets.
- ⊕ By 2020: Continue supporting the Alliance for Water Stewardship (AWS) Standard by implementing it in five new locations.
- ⊕ By 2020: Apply the new Farm and Catchment Level Assessment tool prepared by the Sustainable Agriculture Initiative Platform (SAI Platform) in at least five agricultural supply sourcing locations.



Advancing a sustainable water future in California

We aim to be responsible stewards of water, ensuring that it is managed sustainably and protected across our value chain. The drought in California and the long-term sustainability of water resources is a key issue for us. Through our membership in the California Water Action Collaborative (CWAC), we pursue collective action projects to improve California's water security for people, business, agriculture and nature. Nestlé Waters North America supports projects within each of the three CWAC focus areas of: returning water to the system; building social capital to improve trust across sectors; and driving corporate water stewardship to align with the Governor's California Water Action Plan.

Treat the water we discharge effectively

We apply the most efficient technologies and methods to treat the water we use, prior to reuse or release into the environment. We are committed to treating the effluents from our operations in a responsible manner and adhere to strict quality requirements for returning it to the environment. In 2016, we strengthened our already demanding Nestlé Environmental Requirements (NER), including new water effluent parameters.

Our objective in 2016

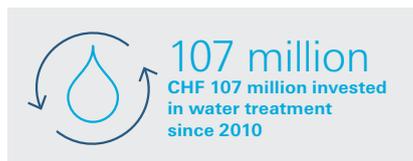
- By 2016: Implement the new and strengthened Nestlé Environmental Requirements for water quality and effluent discharge in all factories in order to help protect the environment.

Our progress to date

By the end of 2016, we reduced water discharge per tonne of product to 1.4 m³ per tonne, and improved the average water quality discharged to 72 mg COD (Chemical Oxygen Demand) per litre versus 2015. Over the last 10 years, we have reduced water discharge per tonne of product by 55%.

All our factories either have their own on-site wastewater treatment plant or are linked to a local facility. Where required, we invest in our plants to keep them up to our NER, spending CHF 22.5 million in 2016 on their efficiency, conservation measures and on improved treatment facilities, as well as strengthening treatment requirements, or CHF 107 million since 2010.

We aim to minimise waste generation and recover value from by-products; more than 96% of sludge is recovered or reused. We have improved water effluents training and workshops in our operations and work with stakeholders to identify how to protect the environment.



Our objective

- ⊕ By 2017: Monitor the implementation of the new and strengthened Nestlé Environmental Requirements for water quality and effluent discharge in all factories, in order to help protect the environment.



Improving access to clean water across our supply chain

Since 2002, we have partnered with the International Federation of Red Cross and Red Crescent Societies (IFRC) to improve access to clean water, sanitation and hygiene in rural communities of our supply chain in Africa. In the cocoa-growing region of Côte d'Ivoire, we launched activities to improve health and hygiene awareness, including monitoring and improving water quality and infrastructure, providing or renovating sanitation facilities, and raising awareness through hygiene awareness programmes in villages and schools. In 2016, we developed a plan for continuing the projects in Côte d'Ivoire, while supporting the IFRC to roll-out WASH activities in Ghana.



Engage with suppliers, especially those in agriculture

Our greatest opportunity for reducing water use lies in addressing the impacts of our agricultural supply chains. Real improvements in water use and savings can be made by introducing better agricultural techniques at farm level.

Our progress to date

We prioritise training farmers on water use, water quality and soil moisture. Our R&D teams support the selection and propagation of drought-resistant cocoa and coffee trees. Through the *Sustainable Agriculture Initiative at Nestlé* (SAIN), we hold regional workshops for farmers on key water-management challenges, including drought and flooding resilience, wastewater and organic waste treatment, and farm intensification methods. We are in the process of implementing water-management action plans for coffee, sugar, dairy, rice and cereals in water-stressed areas.

Our objective towards 2020

- ⊕ 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.

Raise awareness on water conservation, and improve access to water and sanitation across our value chain

We work with expert partners to improve access to water and sanitation across our value chain. We support education initiatives to help our employees, communities, suppliers and consumers make better-informed decisions on how to protect water.

Our objective in 2016

- By 2016: 350 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and in key agricultural supply chains.

Our progress to date

We have partnered with the International Federation of Red Cross and Red Crescent Societies (IFRC) in Africa since 2002, increasing our focus on improving access to clean water, sanitation and hygiene in rural communities.

We support the IFRC's Global Water and Sanitation Initiative (GWSI), an initiative to bring safe water and sanitation to 30 million people around the globe by 2030. In 2016, we concluded the fourth phase of activities in Côte d'Ivoire while supporting the IFRC in its roll-out of WASH activities in Ghana. The Ghana Sustainable Water, Sanitation and Hygiene Project (Gha-WASH) aims to provide rural populations in the Eastern and Ashanti regions with access to WASH by 2017. Gha-WASH has the potential to increase access to safe water, sanitation and hygiene for 76 300 people in schools and communities, and provide training in water safety. We also inaugurated a new water unit in Pakistan.

Our objectives towards 2020

- 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.
- ⊕ By 2020: 600 000 beneficiaries in local communities have access to water, sanitation or hygiene projects around our manufacturing facilities and key agricultural supply chains.

Investor benefits

We save costs by increasing the efficiency of water use. Investing in zero water factories can help us avoid future costly relocations. Protecting water resources helps protect the future of our Nestlé Waters business and helps ensure that the sourcing of our raw materials remains competitive. Applying WASH practices can positively impact productivity by improving the health and wellness of our employees and communities, and reducing lost working days.

Environmental sustainability

As a major nutrition, health and wellness company, Nestlé can shape sustainable consumption and steward resources for future generations. We set ourselves commitments and objectives for real progress: from using sustainably managed and renewable resources to operating more efficiently, and from working towards our goal of zero waste to acting on climate change.

This was a coffee capsule...
Nespresso coffee capsules given
a second life as iconic objects.





Provide climate change leadership

Climate change is already impacting the food and beverage sector. Our industry relies on a sustainable supply of safe raw materials, and shifting weather patterns change how and where our ingredients are farmed, affecting food security. We believe that, in the wake of the 2016 Paris Agreement, there is now a global imperative to reduce greenhouse gas (GHG) emissions. We are committed to further reducing emissions along our value chain, while strengthening our supply chain and helping the farmers who we work with be more resilient to climate change.

Our objectives in 2016

- Ongoing: As a member of RE100, aim to procure 100% of our electricity from renewable sources within the shortest practical timescale.
- By 2016: All our new ice cream chest, upright and island freezers will use natural refrigerants.
- 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.

Our progress to date

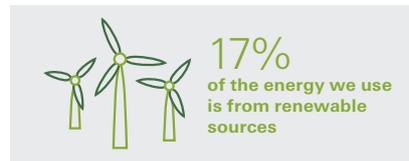
Over the last 10 years, we have already made real progress, reducing direct GHG emissions per tonne of product by 39% while increasing production by 46%. We are on track to achieve our science-based 2020 objective, as we have reduced GHG emissions (Scopes 1 and 2) per tonne of product in every product category achieving an overall reduction of 22% in our manufacturing operations versus 2010.

We could achieve these emission reductions by saving energy, improving operations efficiency and switching to cleaner fuels, including to renewable energy. Renewable energy currently accounts for 17% of our factories' total energy use, and 29.6% (8.1 petajoules) of our electricity purchased is renewable.

We strive to ensure that 'no vehicle leaves empty', improving the efficiency of our transport while reducing unnecessary journeys. We also redesigned several local distribution networks to improve efficiency. We are making good progress in reaching our objective, by reducing emissions by 2.7% in our distribution operations in 2015* against our 2014 baseline. That is the

equivalent of 6600 tonnes of GHG emitted – equal to taking 1400 cars off the road. We also continually search for ways to further reduce the energy consumption in our warehouses by improving illumination, heating, cooling, insulation and internal movements.

We are phasing out synthetic refrigerants with high global warming and ozone-depleting potential, such as HFCs, and have invested CHF 299 million since 1992 to replace them with natural alternatives in our industrial refrigeration systems. We have also expanded the use of natural refrigerants by installing 47 new refrigeration systems. Nestlé has been recognised as a global leader in tackling climate change, earning a place on CDP's Climate A List and reaching the number 1 position in the 2016 Dow Jones Sustainability Index with a remarkable score of 100 in the 'environment and climate change' dimension.



Our objectives towards 2020

- By 2020: All new proprietary cold beverage dispensers of Nestlé Professional will use natural refrigerants.
- By 2020: Reduce GHG emissions (Scope 1 and 2) per tonne of product in every product category to achieve an overall reduction of 35% in our manufacturing operations versus 2010.
- By 2020: Reduce GHG emissions by 10% in our distribution operations versus 2014.
- By 2020: Reduce GHG emissions by 10% in the 100 major warehouses we use versus 2014.
- ⊕ By 2020: 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.

* This data is based on volume covered by reporting: the latest data available is from 2015. 2016 data will be published next year.

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

We believe Nestlé is well placed to demonstrate climate change leadership. Our aim is to ensure the continuity of our own business and supply chain while protecting the planet. We will therefore continue to work with our stakeholders to find solutions to the environmental challenges that climate change exacerbates.

Our objective in 2016

- By 2016: Provide climate change information in our *Annual Report* package using the *Climate Change Reporting Framework* developed by the Climate Disclosure Standards Board.

Our progress to date

Climate change is a global challenge, and demands a united response. Nestlé leads and actively participates in several initiatives, which we believe to be aligned with our explicit commitments. These initiatives reflect our respect for society, the environment and future generations.

We achieved our target by providing climate change information in our *Annual Report* package using the *Climate Change Reporting Framework*.

In 2016, we joined the Feed the Future initiative for Climate Smart Cocoa, which aims to support smallholder cocoa producers in Ghana and Côte d'Ivoire adopt agricultural practices to offset the challenges of climate change.

Our efforts continue to be aligned with the CDP's six climate action initiatives, which are focused on science-based GHG reduction targets, renewable electricity, deforestation, reporting on climate change, engagement on climate change policy and carbon pricing.

After careful consideration, we have extended our objective to implement the *Guide for Responsible Corporate Engagement in Climate Policy to 2020*.

Our objective towards 2020

- ⊕ By 2020: Implement the *Guide for Responsible Corporate Engagement in Climate Policy* developed by the CDP, the UN Global Compact (UNGC), Ceres, The Climate Group, the World Wide Fund for Nature (WWF) and the World Resources Institute (WRI).

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

Reduce food loss and waste

The UN Food and Agriculture Organization has estimated that almost one-third of all food produced for human consumption is wasted. This waste has a tangible social, environmental and economic cost – producing it uses 24% of all agriculture-related water, causes 8% of all human-created GHG emissions, and costs consumers, farmers and businesses up to CHF 950 billion annually. We are committed to helping reduce food loss and waste. In 2016, our CEO, Paul Bulcke, joined Champions 12.3: a coalition of government, industry and non-governmental organisation influencers dedicated to accelerating progress towards halving food waste by 2030. This will enable us to contribute to a circular economy and allow us to secure our agricultural supplies while having a positive impact on society. As a company, we have guided the Consumer Goods Forum (CGF) to adopt the public resolution of halving food waste from its members' own operations by 2025, five years ahead of UN SDG 12.3.

Our progress to date

We actively contributed to the development of the Food Loss and Waste Accounting and Reporting Standard led by the WRI. We participated in its launch at the Global Green Growth Forum in June 2016. We have piloted the standard in our dairy supply chain in Pakistan, and, to encourage its broader use, we ran a training workshop at the first CGF Sustainability Summit together with the WRI in October 2016.

We look to achieve our target of zero waste for disposal through a series of measures designed to prevent waste generation. Our focus is on operational efficiency, quality and productivity – doing more, first time right with fewer resources. By the end of 2016, 182 of our factories (39%) achieved zero waste for disposal; since 2006, we have reduced waste for disposal by 77% (105 000 tonnes), and waste for disposal per tonne of product has fallen by 82%.

Our objectives towards 2020

- Ongoing: As a member of Champions 12.3, accelerate progress towards halving food waste by 2030.
- By 2020: Achieve zero waste for disposal in our sites.
- ⊕ By 2020: Make date labels understandable to our consumers in order to reduce food waste at consumption stage.



Use it – don't throw it

At our *Nescafé* factory in Orbe, Switzerland, used coffee grounds are incinerated to produce steam, thus transforming what could have been waste into energy. The steam that is generated is used in the various stages of the manufacturing process of *Nescafé* products, such as extraction and evaporation, and greatly reduces dependence on natural gas. Nestlé's worldwide operations now include 22 factories that use spent coffee grounds as a renewable fuel.



Improve the environmental performance of our packaging

Our packaging is crucial to prevent food waste, guarantee our high-quality standards and inform our consumers. Packaging is an area where visible changes can be made – where used packaging is recovered and put to new use. A large part of our focus is on eco-design and improving packaging waste management so as to favour the circular economy and address marine littering. We use life-cycle assessment (LCA) to improve the environmental performance of our packaging.

Our progress to date

We use the minimum adequate quantity of packaging. Through our efficient eco-design process we have almost reached our 2017 packaging optimisation objective one year in advance: in 2016, we avoided the use of 22 525 tonnes of packaging, which equates to a saving of CHF 43.3 million and 430 893 tonnes of CO₂eq, or the equivalent of taking 91 679 cars off the road per year. We have adjusted and expanded our objective on packaging from 2017 to 2020.

We continue to optimise our packaging in line with our *Policy on Environmental Sustainability*, to improve its environmental performance including transportation impacts. At present, 34.9% of the packaging materials we use are made from renewable materials. Only where an appropriate waste management infrastructure exists can waste be recovered. Therefore, we will focus on this topic and drive initiatives that improve packaging waste management on land that ultimately will help to prevent marine littering. We encourage consumers via packaging labels to recycle plastics and other materials.

Our objectives towards 2020

- ① 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.
- ⊕ By 2020: Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 140 000 tonnes of packaging material from 2015 to 2020.
- ⊕ By 2020: Drive alliances with relevant stakeholders to address packaging waste management and marine littering in 10 relevant markets.

Assess and optimise the environmental impact of our products

We assess and improve our products from development to end of life, giving us a clear understanding of their environmental impact along their life cycles. Our life-cycle assessments (LCAs) enable us to focus on preserving water, using natural resources efficiently, protecting biodiversity, reducing air emissions, adapting to climate change and reducing waste.

Our progress to date

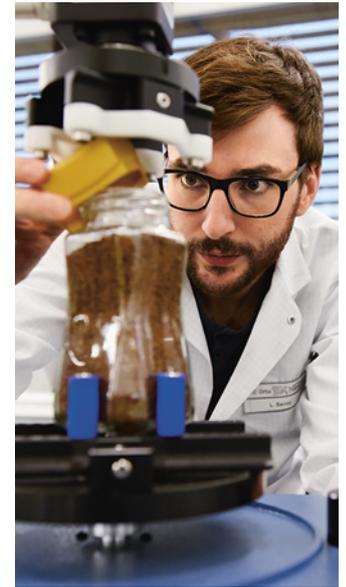
Our eco-design tool (EcodEX), which enables our product development teams to assess environmental performance faster and much earlier in the design process, has now been deployed across our entire R&D organisation. We share the data produced by the LCAs internally through the Nestlé Category Sustainability Profiles, which summarise areas of significant environmental impact (or 'hotspots') and highlights what we are doing to improve performance across the value chain. By the end of 2016, we evaluated 6641 projects and 19 297 scenarios using eco-design tools, and published Nestlé Category Sustainability Profiles for 19 categories.

We work with external organisations to further develop the databases behind EcodEX, particularly for raw materials. In 2016, we added 50 EcodEX datasets to these databases. Internally, experts from our Sustainability by Design Networks continually seek ways to build sustainability into the earliest phase of product development.

We are actively involved in the European Union's Product Environmental Footprint (EU PEF) pilot initiative and participate in its steering committee, as well as in the packed water, coffee and pet food pilots. We continue to support the development of the World Food LCA Database for the food sector at large to benefit from sound and reliable datasets and we welcome its inclusion in EU PEF compliant studies.

Our objectives towards 2020

- ① By 2017: Identify or update and address the sustainability 'hotspots' for 15 product categories.
- ① By 2017: Further enlarge the scope of our database on agricultural raw materials used in EcodEX.
- ⊕ By 2020: Identify, update and address the sustainability 'hotspots' for 20 product categories.



Optimising packaging design

Packaging design makes an important contribution to environmental performance across the product life cycle. Over-packaging can result in waste, while not packaging a product adequately exposes it to damage or contamination, resulting in food waste. Finding the right balance can, therefore, be a challenging exercise, but with worthwhile results. We are also exploring the use of innovative materials, to further improve on environmental performance.

Provide meaningful and accurate environmental information and dialogue

We believe that people are more likely to adopt more sustainable behaviours when they have access to clear, relevant and science-based information. We aim to encourage people to live more sustainably – for example, by engaging them on recycling and lowering their use of energy and natural resources.

Our progress to date

Our LCAs give us a clear view of our products' environmental performance. We use LCA results to inform our consumers and other interested stakeholders. We also provide them with advice on how to avoid food waste and how to reuse, recycle or dispose of packaging. Many of our products highlight their environmental sustainability aspects stating ingredients, production methods and adherence to standards, including our *Responsible Sourcing Guideline*.

We engage with stakeholders both internally and externally to ensure that we communicate relevant science-based information. In 2016, we provided information to our consumers and other interested stakeholders on packaging, brand websites and corporate websites in 131 countries. We have deployed Quick Response (QR) codes in 50 countries, linking packaging to mobile websites that contain related, user-friendly content.

Our objective towards 2020

- ⊕ By 2020: Improve the availability and consistency of fact-based environmental information for consumers on our digital and other channels.

Preserve natural capital, including forests

We recognise that our long-term success depends upon natural capital, particularly forests, land, soils and water. We aim to develop our business and operations to safeguard natural capital, acting as a responsible steward of natural resources, particularly in terms of water preservation, net zero deforestation by 2020, soil management and biodiversity conservation.

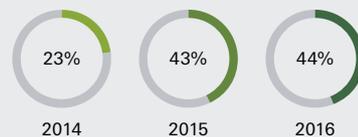
Our objective in 2016

- By 2016: 40% of the volume of our 12 priority categories of raw materials has been assessed against our *Responsible Sourcing Guideline* (RSG) requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

Our progress to date

We continue to implement our RSG in the supply chains of our 12 priority categories. We proactively tackle deforestation in categories considered critical, including palm oil, soya, and pulp and paper. We work with suppliers to map their sourcing, assess their performance and support improvement activities. Other categories, including meat, dairy, cereals, cocoa and coffee, can pose specific issues depending on where they are farmed, which are tackled accordingly. As a member of the Natural Capital Coalition, Nestlé piloted the Natural Capital Protocol in 2016 with its *Nespresso* business. The Protocol supports organisations in evaluating their own impacts and dependencies on nature.

Volume of our priority categories assessed against our *Responsible Sourcing Guideline* (RSG) requirements (%)



Our objective towards 2020

- ⊕ By 2020: 70% of the volume of our 12 priority categories of raw materials has been assessed against our RSG requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

Investor benefits

Our work in environmental sustainability enables us to generate additional revenue by delighting consumers, especially millennials, who are increasingly looking for more sustainable products. It also provides opportunities to make cost savings by improving our resource use efficiency – including raw and packaging materials, energy and water – and by avoiding waste. Investment in climate adaptation and mitigation in our sourcing of raw materials should help us to meet consumer demands in the future.

Our people, human rights and compliance

We are a diverse company, with 328 221 employees and operations in 119 countries. Our values are rooted in respect – for ourselves, for others, for diversity and for the future. Providing good working conditions and keeping our people safe, healthy and engaged are our top priorities. We also have a responsibility to respect and promote human rights in our value chains and operate to the highest ethical standards.



Suleman Bariso, a young Ethiopian refugee recruited under the *Nestlé Helps* initiative, working at the Biessenhofen infant formula factory in Germany.

Assess and address human rights impacts across our business activities

Our responsibility to respect human rights is at the forefront of our business. We continually review and assess the human rights risks of our business activities, and strive to prevent and address any negative impacts we may have on the rights of those whom we employ, do business with or interact with along our value chain. Through our *Human Rights Due Diligence Programme*, we identify and manage salient human rights issues – those at risk of the most severe impacts through our activities and business relationships – and report on our progress through the UNGP Reporting Framework.

Our objective in 2016

- By 2016: Develop action plans and targets for each human rights risk identified as salient.

Our progress to date



We continued to work on meeting our 2015 objective to train and cover all our employees in FTSE4Good Countries of Concern. Following our adoption of the UN Guiding Principles (UNGPs) on Business and Human Rights Reporting Framework, we developed action plans and targets for seven of the 11 salient issues. A further Human Rights Impact Assessment was carried out in Egypt in 2016.

We maintained our focus on combating child labour, and placing more emphasis on identifying and addressing the root causes of child labour.

This year, we rolled out our action plan for seafood sourced from Thailand, which contains a series of actions to protect workers from abuses identified in the supply chain. We continue to work with the Thai Government and other key stakeholders to address this issue.

In response to the 2015 UK Modern Slavery Act, Nestlé UK launched a detailed report on modern slavery and human trafficking. The report highlighted the mechanisms we have in place, and the actions we are taking, to combat slavery and all forms of human exploitation for labour across our supply chains.

In 2016, we continued to work on our objective for 2015, to ensure that all FTSE4Good Countries of Concern where we operate are covered by human rights policies and our employees there trained to reduce human rights risks in our operations. In total, 12 out of 13 such countries are now covered by impact assessments.

Our objectives towards 2020

- ⊕ By 2017: Strengthen human rights mainstreaming into existing standards, audit protocols and due diligence procedures, in particular for: our own facilities, including green- and brown-field projects; local communities; our business partners, including local distributors, co-manufacturers, joint-ventures, etc.; and mergers and acquisitions.
- By 2018: Carry out six additional Human Rights Impact Assessments in countries where we have significant business operations.
- ⊕ By 2019: Have a functioning governance structure in place in all markets that looks after human rights risks and opportunities.
- ⊕ By 2020: Train all Nestlé employees on human rights.

Improve workers' livelihoods and protect children in our agricultural supply chain

Nestlé aims to improve the livelihoods of workers through its supply chain, and to protect labour rights. We have a number of salient labour rights issues, and are developing action plans to enable us to identify and address the root causes of those issues. Protecting children is a top priority for us, and our Child Labour Monitoring and Remediation System (CLMRS) is a major programme to address child labour and support children of farmers and workers.

Our objective in 2016

- By 2016: In collaboration with external partners, develop a roadmap on labour rights in agricultural supply chains, addressing salient labour rights issues (i.e. child labour, freedom of association and collective bargaining, forced labour, health and safety, living wage, workers' accommodation and basic service needs, working time) in all key commodities across sourcing countries.

Our progress to date

We continued to roll out our CLMRS, which operates in our cocoa supply chain, throughout Côte d'Ivoire. In 2016, the CLMRS was extended to a further 29 co-operatives, taking the total to 69. We will be closely monitoring success throughout the year and a major report about our key findings and learning points around child labour will be produced in 2017. We also expanded the system into Ghana in 2016.

New child labour audits were carried out in our sugar and seafood supply chains. We also began a farm assessment programme in our cereals supply chain; results will be available next year.

An increase in the number of children working in the hazelnut harvest has been identified, possibly due to increasing numbers of Syrian refugees moving into Turkey. Remedial activities included taking children out of the supply chain and into education. We continue to work with key partners to address these issues.

In our vanilla supply chain in Madagascar, we engaged with a second supplier, Mané, to increase our child labour remediation activities on the ground.

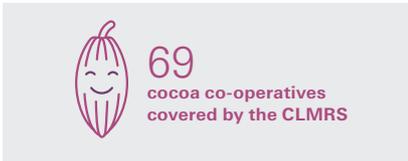
The issue of migrant workers and its effects on child labour became particularly apparent in 2016, with a sharp increase in migrant workers from Syria and

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



southern Africa. By understanding how workers from these and other countries are being recruited, we can gain a better understanding of the root causes of child labour.

From the audits carried out, we also realised that the audit system was no longer adequate to address the root causes. We are now working with the Fair Labor Association (FLA) to identify and implement new ways of working that will be more effective in enabling us to address these causes.



Our objectives towards 2020

- ⊕ By 2017: Release the roadmap with clear priorities for each salient labour rights issue.
- ⊕ By 2018: Start reporting on the number of workers in agricultural supply chains having benefitted from our interventions on select salient labour rights issues.
- ⊕ By 2020: Start reporting on the number of workers in agricultural supply chains having benefitted from our interventions on all salient labour rights issues.

Enhance a culture of integrity across the organisation

This commitment replaces and strengthens our previous commitment to work against bribery and corruption.

Nestlé is firmly opposed to bribery and corruption and we will not tolerate these practices in our operations. Our stance on these issues is clearly set out in our *Code of Business Conduct*. 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 objective in 2016

- By 2016: Adoption of local Anti-Corruption Policy implementation procedures in those markets and businesses where there is a need for further reinforcement.

Our progress to date

In 2016, we focused on developing anti-corruption policies in our markets to ensure corporate initiatives work locally. All markets were asked to review their existing policies and strengthen them where required. By the end of 2016, 33 markets had identified a need to enhance their policies and put stronger guidelines in place, ensuring our objective would be met.

Training is offered to employees who work in markets or roles where there is an exposure to risk or such training is deemed necessary. In 2016, 36 524 employees were trained in anti-corruption issues.

Our CARE programme uses independent assessments to measure compliance with human rights and labour practices, business integrity, safety and health, environmental sustainability and security. In 2016, we carried out 235 CARE audits, which identified 130 gaps requiring action. Of these, 60 have been remedied with the remainder in the process of being addressed.



Our objectives towards 2020

- By 2017: Employees with computers completing the compliance e-learning process started in 2015. Markets confirming that key corporate compliance practices are in place and improvement areas defined.
- ⊕ By 2018: Markets launching a compliance communication plan further reinforcing tone at the top and speaking up. CARE audit enhanced on human rights and schedules defined for Nestlé sites with the new protocol.
- ⊕ By 2019: Markets reinforcing compliance as a leadership responsibility based on corporate tool kit for training managers on business integrity.
- ⊕ By 2020: A proactive review is conducted for our compliance activities and policies in light of our evolving product portfolio.

Ensure that all Nestlé employees are covered by a certified safety and health management system

Nestlé works hard to create a culture in which safety and health are our top priorities, and our aim is to achieve zero work-related injuries and illnesses. Our new Safety and Health Roadmap is helping us move towards that goal.

Our objective in 2016

- By 2016: Ensure that robust safety and health management systems are in place and are certified to OHSAS 18001:2007, covering all employee populations so there is a uniform level of safety and health protection across all businesses.

Our progress to date



Our Safety and Health Roadmap was updated in 2016 to set out our high-level priorities through to 2018:

- Everyone engaged;
- Key risks managed;
- Our passion for nutrition, health and wellness; and
- Management processes.

The roadmap will guide our planning towards achieving our goals.

At the end of 2016, BS OHSAS 18001 certified safety and health management systems covered 79% of our employees (excluding Nestlé Skin Health employees). Our Human Resources team is sponsoring Safety and Health beyond Operations, helping to improve compliance in sales and office-based functions. And to improve the capability of our managers, we introduced leadership training programmes. We have also seen an increasing uptake of the Nestlé Framework for Employee Health implementation across all markets, helping us to structure and focus existing efforts, promote best practices and guide future developments.

Enhance gender balance in our workforce and empower women across the entire value chain

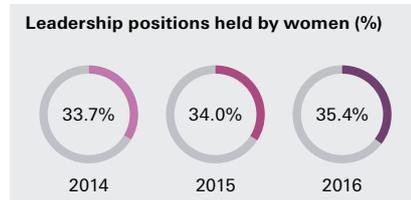
We believe diversity in our business and throughout our supply chain is a real asset. We have a particular focus on gender balance and empowering women. Our gender balance initiative is designed to improve the balance at all levels, with a focus on our senior leadership and management teams. Across our supply chains, we run and support initiatives to give women a greater voice and economic independence.

Our progress to date

We are on track to achieve our objectives. In 2016, we launched our Diversity and Inclusion Framework, setting out our business case for a strategy that will make an impact across innovation, society and culture. The Framework encompasses each area of diversity. Gender balance remains our main focus, but is complemented by diversity efforts such as the inclusion of people with disabilities, cross-generational working and multiculturalism.

At the end of 2016, 3779 employees across the company had received unconscious bias training, which has been embedded into a range of programmes across markets. We trained 25 co-operatives in our cocoa supply chain in gender awareness in 2016; 36% of co-operatives have now received such training. We also launched two women's fora in Côte d'Ivoire, giving 175 women a greater voice within their communities.

We also participated in events around the world to support International Women's Day.



Our objectives towards 2020

- By 2017: Ensure that farmer training support programmes are: developing agripreneurs; equally accessible to men, women and young people; and available to farm workers.
- 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).
- By 2020: The livelihoods of women have been improved in five priority sourcing locations.



Road safety training

Nestlé Pakistan, in collaboration with the National Highways and Motorway Police (NH&MP), established the first drivers' training institute near Sheikhpura to ensure the safety and well-being of our employees. To date, more than 15 500 drivers, including over 4100 Nestlé drivers have been trained. This has created a positive social impact not only on the drivers themselves, but also on their families and the communities in which they live.

Provide effective grievance mechanisms to employees and stakeholders

This replaces our previous commitment to ensure that all employees and stakeholders can easily report possible compliance violations.

We are committed to a strong compliance culture, as reflected in the *Nestlé Corporate Business Principles*. We ensure our company is managed in line with our principles, through internal reporting and external audits. Employees, suppliers and stakeholders are encouraged to report practices or actions believed to be inappropriate or illegal, and we investigate all complaints with impartiality, prohibiting retaliation. Breaches are immediately stopped, and appropriate response measures implemented.

Our objectives in 2016

- By 2016: Reinforce awareness of the existence of confidential reporting lines across the organisation.
- 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).

Our progress to date

The Nestlé Integrity Reporting System enables employees to report anonymously any illegal or non-compliant behaviour they observe, as well as seek advice or information. The system has been implemented and communicated in 100% of Nestlé markets, with the number of messages and subjects of breaches communicated in our *Nestlé in society: Creating Shared Value* full report.

'Tell Us' is our communication channel for stakeholders to report possible non-compliances with the *Nestlé Corporate Business Principles* or applicable laws. It has been made available to 7748 suppliers.

In 2016, an additional 35 Nestlé countries communicated a 'Tell Us' link on local corporate websites.

Our objectives towards 2020

- ⊕ By 2017: 'Tell Us' communicated on Nestlé market websites where legally possible. Markets implementing corporate best practices for managing, reviewing and investigating compliance complaints received through grievance systems.
- ⊕ By 2018: Markets conducting root-cause analyses for selected compliance cases using tools provided by headquarters.
- ⊕ By 2019: Review grievance system's effectiveness with internal and external stakeholders to define improvement opportunities.
- ⊕ By 2020: Grievance system's improvements implemented in pilot markets.

Roll out the *Global Youth Initiative* across all our operations

The International Labour Organization estimates that 13.1% of the world's young people are unemployed, an issue that adds to global poverty. As a major employer, we can make a positive difference, directly and through our contractors.

Our objective in 2016

- 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 (cumulative since 2014).

Our progress to date

From 2014 to 2016, 20517 job opportunities and 12385 traineeships or apprenticeships were provided for young people below 30 years of age in Europe. In 2016 alone, we offered 6778 permanent and temporary positions and 4206 traineeships or apprenticeships. Around 200 companies have joined the 'Alliance for YOUTH' initiative, launched by Nestlé, which has helped more than 62000 young Europeans find jobs or training opportunities.

From 2015 to 2016 in the Americas, 16185 job opportunities and 7601 traineeship and apprenticeship opportunities were provided to young people under 30 years of age.

With the launch of the initiative in the Middle East, Africa, Asia and Oceania in 2016, Nestlé is now in a position to make a global commitment covering all its three Zones, including the Americas, from 2017 onwards.

Our objectives towards 2020

- ⊕ By 2020: *Nestlé Global Youth Initiative* commits to deliver:
 - 45000 to 50000 apprenticeship and traineeship opportunities;
 - Continue readiness for work events globally, with increasing number of employees involved in such events;
 - Enhanced collaboration with external partners to motivate them to join and to increase impact; and
 - 20000 to 25000 job opportunities for people under 30 years of age every year.



Training the next generation

Our people are at the heart of our company. In addition to training our employees, we extend training opportunities – along with apprenticeship and other readiness for work initiatives – as part of our *Global Youth Initiative* to help address youth unemployment. Providing jobs and trainings contribute to helping young people escape poverty, and provides a stream of new talent for Nestlé. As youth unemployment remains a major issue across the world, Nestlé's *Global Youth Initiative* has made firm commitments to deliver apprenticeships and traineeship opportunities, as well as job opportunities, events and collaborations to help young people get the experience they need to successfully join the working world.



Provide training on *Corporate Business Principles*, Nutrition, and Environmental Sustainability

We offer training designed to help our employees adopt healthy, balanced diets, develop their careers, contribute to our environmental objectives and achieve our business goals. Training on the *Nestlé Corporate Business Principles* also provides our people with increased appreciation of the Nestlé Business Model.

Our objectives in 2016

- By 2016: We will embed Nutrition Quotient (NQ) training into the new employee orientation programme at all our work sites.
- By 2016: Environmental Awareness training will be run in all countries.

Our progress to date

We have made progress towards embedding NQ Foundation Module into the new employee's orientation program in 92% of our markets as of end 2016, and with the remaining markets confirming implementation by end Q1 2017.

Environmental awareness training was conducted in 95% of the countries where we operate. A total of 5611 employees successfully completed our e-learning course, and we held Environmental Sustainability Leadership workshops in Guatemala, the Middle East, Nicaragua, Panama, Spain, Switzerland and Thailand.

Our objectives towards 2020

- 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.
- ⊕ By 2020: Run environmental sustainability training in all countries and continue to strengthen environmental awareness among employees.

Advocate for healthy workplaces and healthier employees

Enhancing quality of life and contributing to a healthier future begins with the safety and health of our people. We want our employees to make more informed decisions about their own health. Our passion for nutrition, health and wellness is one of the strategic priorities of our Safety and Health Roadmap 2016–18 and a way of bringing the Nestlé Framework for Employee Health to life.

We have always been committed to employee health and well-being, and building on it further we have decided to articulate our long-term objective through a public commitment. In 2016, we explored options for assessing health risks among our employees and evaluated effective implementation approaches.

We aim to engage our people in learning more about this area, enabling them to use this learning to improve their own diets, health and well-being. Communications, campaigns and events will promote the benefits of healthier lifestyles and provide more information about the foods people eat, the effects of exercise, and practices proven to boost well-being. We will also be monitoring key indicators, and developing a methodology that will enable us to report future progress towards our objectives.

A Global Sharing Platform has also been launched, with the objective of supporting the markets. It will provide education about health and wellness initiatives, strengthening markets' connections with the Framework for Employee Health, and establishing a 'friends helping friends' solution for Nestlé in the markets.

Our objective towards 2020

- ⊕ By 2020: Offer our employees education, early screening and programmes that support healthier lifestyle choices.

Investor benefits

Our work ensures we stay ahead of regulations, helping us reduce costs and improve revenues, as consumers are increasingly looking for products that take care of human rights in the supply chain. Our business benefits from attracting and retaining the best talent through initiatives such as the *Nestlé Global Youth Initiative*. A positive reputation for employee training and development enhances the company's ability to recruit and retain talent.

Our material issues

To ensure we prioritise the issues that are of most interest to our stakeholders and of highest importance to our business, we conduct a formal materiality analysis every two years. We have shared the methodology and findings of our latest assessment below.

The materiality process

To identify the issues that matter most to our business and our stakeholders, and to better support our reporting and strategic decision-making, we work with SustainAbility, an independent consultancy and think tank specialising in corporate sustainability, using a formal materiality process. After extensive consultation, environmental, social and governance (ESG) issues of concern are identified and evaluated to determine associated risks and opportunities for Nestlé's reputation, revenues and costs.

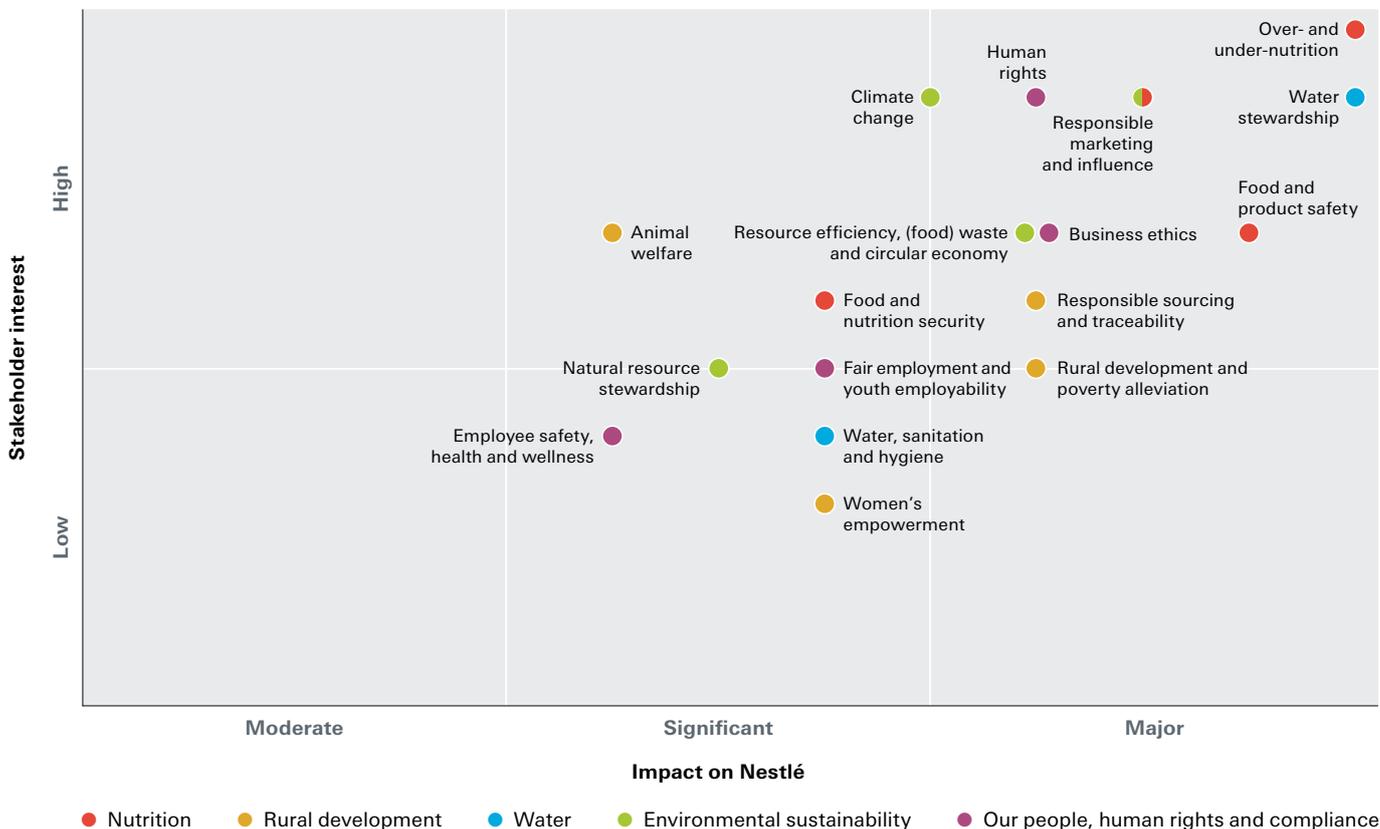
In 2016, SustainAbility refreshed the materiality analysis through four phases of work:

- Issue identification;
- Assess business impact;
- Assess stakeholder interest; and
- Review and validation.

The issues are placed on a matrix (see below) that displays their position relative to the degree of stakeholder interest and potential business impact. Together, the results represent the material issues facing our business. These issues should not be viewed in isolation; they are usually interconnected and sometimes improvements in one can lead to changes in another.

Please see our full report for more details on the materiality process.

Nestlé materiality matrix 2016



Our 17 material issues have been organised under our five CSV focus areas. Each issue is made up of sub-issues, which are explored in more detail in our full report.

Nutrition, health and wellness

Food and nutrition security

Contributing to the availability of, and affordable access to, sufficient, safe, nutritious food.

Over- and under-nutrition

Supporting optimal nutrition, health and wellness throughout life. Helping to address over-nutrition, under-nutrition, 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.

Food and product safety

Ensuring a high-quality product and preventing health risks arising from use, consumption, handling, preparation and storage throughout the value chain.

Responsible marketing and influence

Marketing in ways that are appropriate to consumer audiences and shaping consumer behaviour to promote healthful choices and better environmental outcomes.

Rural development

Rural development and poverty alleviation

Directly and indirectly promoting economic activity and improving livelihoods of agricultural workers in the supply chain to promote sustainable agricultural communities and alleviate poverty.

Responsible sourcing and traceability

Ensuring that key ingredients have been grown and processed responsibly and can be traced back to origin where possible.

Animal welfare

Safeguarding the well-being of animals in the supply chain and promoting farm animal health and welfare.

Women's empowerment

Empowering women to participate fully in society and the economy across the value chain.

Water

Water stewardship

Implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources.

Water, sanitation and hygiene

Improving access to safe water and sanitation, and appropriate facilities to ensure personal hygiene across our value chain.

Environmental sustainability

Natural resource stewardship

Identifying and preserving natural resources and ecosystem services.

Climate change

Reducing greenhouse gas emissions and contributing to the mitigation of, and adaptation to, the negative effects of climate change.

Resource efficiency, (food) waste and the circular economy

Reducing 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.

Our people, human rights and compliance

Fair employment and youth employability

Developing Nestlé's human capital, including maintaining positive relations with employees, promoting positive working conditions and youth employment.

Employee safety, health and wellness

Targeting zero accidents in the workplace and promoting safe and healthy employee behaviours, and helping employees make more informed decisions to achieve and maintain a healthy lifestyle.

Human rights

Respecting human rights in our business activities, operations and supply chains.

Business ethics

Upholding ethical principles in the business and workplace.

Stakeholder engagement

Engaging stakeholders on Creating Shared Value issues and tackling them together lies at the heart of how we do business. We seek the advice of the best experts and advocates to develop and improve our corporate policies and commitments, strengthen our business and target our societal investments.

Our approach

Our global stakeholder network ranges from people we engage with regularly through our operations to those in public positions who influence our activities. They range from employees, consumers, suppliers and communities to governments, non-governmental organisations, shareholders, industry and trade associations, and academia.

Our annual programme of stakeholder convenings and CSV Forum events provides opportunities to intensify that dialogue, building on our understanding of critical societal issues. The interaction develops the capability of our people, facilitates collective action, and promotes trust and mutual respect. Outcomes from such dialogue are fed back to senior management through the Nestlé in society Board.

Visit www.nestle.com/csv/what-is-csv/ stakeholder-engagement for more details of our stakeholder engagement.

Stakeholder convenings

Nestlé stakeholder convenings are hosted and organised by external experts to ensure we receive independent opinions and feedback. These events address issues that are specific to our value chain and highlight where Nestlé can create shared value.

On 30–31 March 2016, representatives of NGOs, academia, government and international organisations attended our stakeholder convening in Geneva, Switzerland. With 64 stakeholders, Nestlé CEO Paul Bulcke and 18 other Nestlé employees in attendance, the event invited delegates to share their perspectives of Nestlé's CSV commitments and performance, and sought to explore Nestlé's role in stimulating collective action to support the UN's Sustainable Development Goals.

Creating Shared Value Global Forum 2016

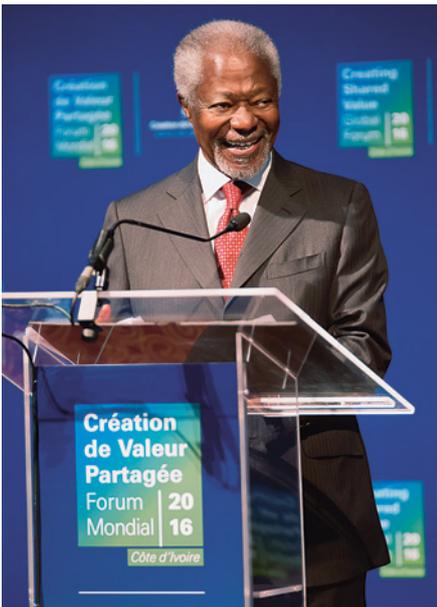
The biennial Creating Shared Value Global Forum is a day-long event designed to stimulate thinking and dialogue about the role of business in addressing major socio-economic challenges in the context of limited natural resources and climate change.

The 2016 Forum was held in Abidjan, Côte d'Ivoire, on 21 June 2016, under the theme of 'Investing in Sustainable Development in Africa'. The forum brought together leaders from across business, civil society and government to discuss key topics affecting the continent. A number of ministers, including Daniel Kablan Duncan, the Prime Minister and Minister of Economy and Finance of the Republic of Côte d'Ivoire, were in attendance.

Acknowledged experts such as Kofi Annan, former Secretary-General of the United Nations, and Professor Michael Porter of Harvard Business School participated in discussions on a range of issues. These explored building stronger economies and communities, health and nutrition security, increasing farmer resilience, and approaches to inclusive and sustainable economic growth.



Nestlé CEO Paul Bulcke with CSV prize winners Agro-Hub from Cameroon, which works to link smallholder cassava farmers to markets.



Former UN Secretary-General Kofi Annan, Chair of the Kofi Annan Foundation, delivering his keynote address on building stronger economies and communities in Africa.

The roots and development of Creating Shared Value at Nestlé

2006

The Nestlé concept of corporate social responsibility, as implemented in Latin America, was published. This report followed a three-part value chain framework of agricultural raw materials, manufacturing and management, products and consumers.

2007

Three Creating Shared Value areas of focus were identified: nutrition, water and rural development.

2008

The CSV pyramid, which also integrated sustainability and compliance in one visual device, was launched in our first *Nestlé Creating Shared Value* report (2007).

2009

The first CSV Forum was held at the United Nations in New York.

2010

The second global *Nestlé Creating Shared Value* report (2009) was published. The second CSV Forum held in London. The inaugural Nestlé Creating Shared Value Prize was awarded to iDE Cambodia.

2011

The *Nestlé Creating Shared Value and Rural Development* report (2010) was issued, and the third CSV Forum held in Washington DC. The GRI reporting framework was adopted.

2012

The *Nestlé Creating Shared Value Summary Report 2011: Meeting the global water challenge* was published. The full online report was delivered in accordance with GRI A+ criteria. The fourth CSV Forum was held in India and the CSV Prize was awarded to Fundación Paraguaya.

2013

The report *Nestlé in society: Creating Shared Value and meeting our commitments 2012* was published, focusing on nutrition and, for the first time, including forward-looking commitments. The fifth CSV Forum was held in Colombia in partnership with the Inter-American Development Bank.

2014

The *2013 Nestlé in society* report was published. The sixth CSV Forum was held in Switzerland with the United Nations Conference on Trade and Development, and the CSV Prize was awarded to Honey Care Africa.

2015

The *2014 Nestlé in society* report provided a progress update on our public commitments.

2016

Three overarching ambitions for 2030 were introduced, in support of the SDGs. The majority of our commitments, now totalling 42, were updated towards 2020. The seventh CSV Forum took place in Abidjan, Côte d'Ivoire, and Agro-Hub took first place in the CSV Prize.

Stakeholder recommendations

Participants at the 2016 convening in Geneva made a number of recommendations; key issues are outlined below, along with our responses (the complete list is published in our full *Nestlé in society* report). This feedback is also considered when assessing the material issues of our business.

Ensure portfolio coherence

The importance of coherence between Nestlé's portfolio, programmes and the positions it is taking on nutrition and health was emphasised by participants. The consistency of the nutrition profile of products in different jurisdictions was also identified as important.

→ Our response

We have reframed and strengthened our nutrition commitments.

Move beyond breast milk substitute (BMS) legacy

Participants recommended Nestlé move beyond legacy BMS issues by demonstrating leadership in practices and driving industry-wide improvements in standards. Taking an industry leadership position is seen by stakeholders as a prerequisite for a credible and successful execution of nutrition strategies.

→ Our response

A strengthened BMS commitment has been introduced to address the legacy issue.

Engage investors to enhance value from CSV

Growing investor interest in the long-term value created by CSV was noted. Demonstrating the financial value CSV is creating will strengthen Nestlé's capacity to act. Participants highlighted opportunities to engage investors to help raise industry-wide standards.

→ Our response

Our 2016 reporting aims to actively engage investors in why CSV is important.

Describe a long-term vision to guide

short-term action

Describing a long-term vision, linked to the SDGs, will inform the scale and focus of current CSV activities of Nestlé and its partners.

→ Our response

We rearticulated our corporate purpose with strengthened commitments and 2030 ambitions.

Explore the linkages and opportunities across SDGs

Seek opportunities to act across the SDGs, particularly where there are linkages between the SDGs and Nestlé's commitments (such as the link between Nestlé's efforts to support nutrition, health and wellness and SDG 12 on responsible consumption).

→ Our response

Our public commitments were reviewed against the SDGs and our ambitions were articulated.

Connect thinking on nutrition, the environment and social issues

Participants recommended Nestlé consider the interconnectedness of nutrition, environmental outcomes and social issues in its portfolio and business decisions.

→ Our response

We take a holistic approach to all decisions concerning our business operations, activities, products and services. In 2016, we piloted the Natural Capital Protocol, to gain a better understanding of our dependence on nature for key brands such as *Nespresso*.

Raise the ambition on water

Participants recommended Nestlé take a more innovative approach to water, focused on opportunities including setting targets to increase access and responsible sourcing. Participants highlighted challenges around bottled water and recommended extending the *Water Plan* to give equal focus to Nestlé Waters, the agriculture supply chain and operations.

→ Our response

We are in the process of developing the *Nestlé Water Plan*, which strengthens our approach to water.

Simplify approach and increase transparency

Participants saw opportunities to simplify the CSV approach, but stressed the value in maintaining the high level of transparency and disclosure of data.

→ Our response

While maintaining the comprehensiveness of our reporting and the robustness of the data, we have sought to make our full CSV report more focused on material issues.

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Nestlé S.A.
Avenue Nestlé 55
CH-1800 Vevey
Switzerland
www.nestle.com/csv

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Wang Chengxuan, Stewart Cohen, Deco Cury, Harmen Hoogland, Ivan Kashinsky, Remo Nägeli, Thierry Nangbo, Qilai Shen, Aude Sirvain, Sergio Urday, Alicia Vera, Daryl Visscher, Daniele Volpe, Stefan Wildhirt

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