

Creating Shared Value

2013

Nestlé Indonesia

Ensuring water sustainability



General Overview CSV

Nutrition	Rural Development	Our People
72%	35,000	3,005
from total product sold has met Nutrition Foundation (NF) & Nutrition Competitive Advantage (NCA) criteria	dairy farmers received technical assistance	total number of employees
21,751	80%	2,500
primary school students benefit from the Nestlé Healthy Kids program	coffee beans supply secured as raw materials through partnership with farmers	employees participated in trainings on safety and health
2,000	1,093	23'27"
pairs of mother and children joined the Healthy Breakfast Campaign	cocoa farmers received technical assistance	average training hours per employee
>35,000	5,000	
participants joined the MILO Jakarta International 10K running competition	units of biogas installed for dairy farmers as member of Nestlé cooperative partners	
2,500		
primary school students participated in the Little Doctor-Expert in Nutrition program by DANCOW Nutrition Caravan		

Program Achievement by 2012

Environment & Water Sustainability

13%

reduction of water utilization per tonnes of production

300 m³

rain water usage per day for plant supporting activities

14.5%

reduction of energy consumption per tonnes of production

1,300 m³

clean water from the waste water treatment channeled to irrigate rice fields

8,000

trees planted at critical areas in Lampung for water conservation

4.1%

reduction of GHG emission per tonnes of production

61%

non-hazardous waste reused for production purpose

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Performance Summary 2012

Nestlé Indonesia has developed Creating Shared Value performance indicators by using its holding company performance indicators as reference, to provide focus for measuring and reporting Creating Shared Value activities, sustainability and compliance. The reference in the indicators column refers to the Global Reporting Initiative G3.1 guidelines.

Description	Indicators	Performance
Economic		
Total sales (Rp million)	EC1	1,409,840
Total production volume (tonnes)	EC1	248,594
Nutrition		
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (% of total production)	FP4	72
Positive contact from Nestlé Customer Services (%)	PR5	90
Rural development and Responsible Sourcing		
Farmers trained through capacity-building programmes on productivity, quality, institution & certification	SO1	14,223
Farmers covered by Sustainable Agriculture Initiative Nestlé (SAIN) programme	SO1	46,093
Biogas facilities installation	EN6	5,000
Suppliers, key vendors and quality key suppliers compliant with company's sourcing policy (%)	FP1	100
Purchased volume compliant with the Nestlé Supplier Code (%)	FP1	100
Water		
Total water withdrawal (m³)	EN8	1,246,512
Total water withdrawal (m³ per tonnes of product)	EN8	5.01
Environmental Sustainability		
Raw Materials		
Raw materials used (thousand tonnes)	EN1	252,211
Energy		
Total on-site energy consumption from renewable sources (% total direct energy)	EN5	13.1
Total direct energy consumption (Gigajoules)	EN3	1,164,097
Total direct energy consumption (Gigajoules per tonnes of product)	EN3	4.68
Total indirect energy consumption (Gigajoules)	EN4	268,192
Total indirect energy consumption (Gigajoules per tonnes of product)	EN4	1.08

Description	Indicators	Performance
Emissions, effluents and waste		
Direct Green House Gas (GHG) emissions (tonnes CO ₂ eq)	EN16	61,943
Direct GHG emissions (tonnes CO ₂ eq per tonnes of product)	EN16	0.25
Indirect GHG emissions (tonnes CO ₂)	EN16	52,825
Indirect GHG emissions (tonnes CO ₂ per tonnes of product)	EN16	0.21
Total water discharge (m ³)	EN21	855,738
Total water discharge (m ³ per tonnes of product)	EN21	3.44
Non hazardous waste (tonnes)	EN22	7,896.00
Hazardous waste (tonnes)	EN22	22
Reusable waste (%)	EN10	61
Our people		
Total workforce (number of permanent employees)	LA1	3,055
New employee rate (%)	LA2	30
Lost-time injuries and illnesses among employees and on-site contractors (per million hours worked)	LA7	0
Total recordable injuries and illnesses among employees and on-site contractors (per million hours worked)	LA7	0.69
Employee average hours of training (hour/employee)	LA10	23.45
Local permanent employee composition (% total permanent workforce)	LA13	99

Message from the President Director [1.1] [1.2]

At Nestlé, we always believe that in order to prosper we need the communities we serve and in which we operate to prosper as well. Over the long term, healthy populations, healthy economies and healthy business performance are mutually reinforcing.¹

We do business responsibly in compliance with national laws, international standards and the Nestlé Corporate Business Principles, and in ways that ensure environmental sustainability for future generations. Our commitments to compliance and sustainability are based on common sense values, and form the foundations upon which we build our actions in Creating Shared Value. As a corporate member of the United Nation Global Compact, we reiterate our support for the ten principles of UN Global Compact.

Creating Shared Value (CSV)

We at Nestlé believe that we can create value for our shareholders and society by doing business in ways that specifically help address global and local issues in the area of nutrition, water and rural development. This is what we mean by Creating Shared Value (CSV). We identify opportunities to link our core business activities along our value chain to actions that help to address social issues.

With CSV, we continuously and

consistently make efforts that all of our activities contribute to the society through value chain impacts, context for growth, value for Nestlé and the society.

The focus of this report is on water, but it also covers our commitments to compliance, progress on our other CSV priority areas as well as environmental sustainability.

Focusing on Water

According to the United Nations Development Programme (UNDP), water plays a pivotal role for sustainable development, including poverty reduction. Given the importance of water to poverty alleviation, human and ecosystem health, the management of water resources becomes of central importance. We also understand that over 1 billion people lack access to water and over 2.4 billion lack access to basic sanitation. By 2050 the world's population will grow to 9.3 billion people and food production has to double. Therefore, water usage in agriculture activities will also increase.

Today, only 52% of Indonesians have access to clean water supply. This is far beyond the 2015 Millenium Development Goals target set by the government which targets at least 68% of the total population shall be able to access clean water.

As the world's leading Nutrition, Health and Wellness company, Nestlé too, at every level, depends on reliable access to clean water, in order to maintain our ability to meet our



1. Nestlé in the Society (<http://www.nestle.com/csv>)

“In this CSV report, we focus on environmental sustainability efforts, which are PT Nestlé Indonesia’s commitment and achievement in ensuring clean water sustainability through our W.A.T.E.R. commitments.”



Environment surrounding Nestlé Panjang Factory, Lampung



consumers' needs. We, therefore, care deeply about water sustainability and remain committed to act, and we urge all parties to together preserve and conserve clean water availability.

In this CSV report, we focus on environmental sustainability efforts, which are PT Nestlé Indonesia's commitment and achievement in ensuring clean water sustainability through our W.A.T.E.R. commitments. Therefore, the majority of this report will highlight the environmental conservation activities particularly in ensuring water sustainability. In order to make this report more

comprehensive and be able to provide material information, we also include our other efforts supporting the economic, social and environmental sustainability.

Water Usage

Nestlé Indonesia's efforts in ensuring environmental sustainability, in particular water sustainability, started decades ago marked by setting-up water treatment plant, biogas utilization through the construction of biogas digesters which by the end of 2012 has reached 5,000 units, creating biopore, and planting of

8,000 trees. Study on biogas utilization revealed that it was able to preserve the environment, as it replaced the usage of woods for energy, reduced the pollution cause by cow manure, and was able to reduce the overall cost of energy and health risk of dairy farmers. The construction of biogas digester is planned to reach 20,000 units by 2017.

The number of biopore holes, which is still less compared to the requirement, has also become our concern. Our efforts to enhance the number of biopore are manifested through encouraging each of Nestlé employee to make biopore holes at home.

We also utilize rain water as alternative supply for clean water resources at our Karawang factory, West Java. The plant, which construction has been partly completed at the end 2012, is equipped with technology that is able to harvest rain water; it could then be utilized for the factory operational purposes. By the end of 2012, Nestlé has carried out four projects in providing water access to the local communities. Four other projects are under development and are targeted for completion in 2015.

Our commitment in ensuring water sustainability is also manifested through active participation and our involvement in the activities of various associations. During 2011–2012, we became a member of United Nations Global Compact Indonesian Network (IGCN), Partnership for Indonesia Sustainable Agriculture (PISAgro), Association of Indonesian Companies Care for Children (Asosiasi Perusahaan Sayang Anak Indonesia-APSAI), and actively involved in the Sustainability Section of Indonesian Chamber of Commerce and Industry (Kamar Dagang dan Industri-KADIN) as well

“With Creating Shared Value, we continuously and consistently make efforts to contribute to the society through value chain impacts, context for growth and value for Nestlé and the society.”

as the UNGC–CEO Water Mandate Management. We continue our efforts and improve our collaboration with various parties to ensure environmental sustainability including management of water resources.

Nutrition, Rural Development and More

Nestlé Indonesia’s mission is to nurture a healthier life for Indonesians, therefore for us there is no higher priority than to enhance the quality of life of our consumers by providing tastier and healthier food and beverages choices. As the world’s leading food and beverages company, we have a unique opportunity to help address the current nutrition challenges facing consumers, from over nutrition to under nutrition including micronutrient deficiencies that will cause heavy health cost burden to consumers, society and the government.

Our commitment in ensuring the sustainability of raw materials production and also producing quality products for our consumers is one of the focus of our CSV activities, which at the end will enhance our collaboration with our partners, agricultural raw materials suppliers, and improve their livelihoods and rural economic as well as support the government in ensuring food security.

We are of the opinion that the efforts to ensure water sustainability, to address nutrition challenges and to ensure the sustainability of agricultural raw materials production need a concerted action from all stakeholders. Nestlé in this respect is willing to be actively involved and to lead the concerted efforts as we have the determination to do so.

The importance of physical activities as part of healthy life style has encouraged us to undertake

various programs and activities such as Nestlé Healthy Kids, DANCOW Nutrition Caravan, MILO Badminton School Competition and MILO Jakarta International 10K run. We will continue these activities and for the Nestlé Healthy Kids program, we plan to reach 100 elementary schools in Indonesia by 2015.

We understand the importance of communication supported by good technology to disseminate information to our stakeholders, and also to get input to improve our performance. Therefore, with communication strategy for dialogue with transparency, we continue to make efforts in improving the effectiveness of our communication.

Sharing Your Views

Our report communicates progress and challenges facing us in 2011–2012. We hope you find our Creating Shared Value report informative and useful.

We would appreciate your input and views to enable us to improve our performance.



Arshad Chaudhry
President Director

Our Report

Through the Creating Shared Value (CSV) report, we aim to provide information transparently about our long term impact on the society, and how “Creating Shared Value” is intrinsically linked to the creation of our long-term business success.

About the Report

We published the first CSV report in 2009. The report, which is published bi-annually shows our progress against key performance indicators (KPIs) across our value chain and outlines the actions we have taken to address the main challenges facing our business.

Scope

This CSV report is issued to provide information to our stakeholders on our progress of our creating shared value activities, namely nutrition, water, rural development, sustainability and compliance for two years (1 January 2011 to 31 December 2012). This report is a continuation from the previous report issued on April 2011.

[\[3.1\]](#) [\[3.2\]](#) [\[3.3\]](#)

Information unveiled in this report is based on materiality principle and referred to regulation as well as quality standard of Nestlé S.A., yet still provide local information. Some information was sourced from the Creating Shared Report Value of Nestlé S.A. Information presented in this report include facts derived from head office and three factories, namely Kejayan, Pasuruan, East Java; Panjang, Lampung; and Cikupa, Tangerang, Banten. This report also covers limited information from the distribution center (DC) and the new Karawang factory in West Java. All Nestlé products produced and/or distributed by the company are also covered in this report. [\[3.5\]](#) [\[3.6\]](#) [\[3.7\]](#) [\[3.8\]](#)



All information is presented through qualitative and quantitative approaches and based on Sustainability Reporting Guidelines version 3.1 of Global Reporting Initiative (GRI). In addition, we also include supplement sector indicator of food and beverage industry, which is

also published by GRI, and completed with cross reference from Global Compact initiative. [3.9]

Materiality [3.5]

We have yet to conduct a formal materiality test in determining the main topic of the CSV report;

however, we have identified some main issues on the implementation of CSV program for the company and our stakeholders. The process of identification has been conducted in each activity since 2011 by involving local parties, for example gathering with partners.



Process to determine the materiality aspect for reporting content:

1 Visiting sites by management to identify critical issue



2 Holding focus group discussion for material issue involving management and corresponding stakeholders



3 Positioning future CSV practices to manage risk



4 Determining focus topic for CSV report



5 Determining material information based on achievement and challenges

The implementation mechanism for focus group discussions involved workforce and local partners, business partners, communities and media, civil society and the internal team responsible for managing business risk management. From the discussion we concluded that 'water' has become the most pressing environmental issue representing a serious long-term risk for our business and society.

Water Crisis

Although we have enough fresh water across the world, a growing, more prosperous and increasingly urban population, combined with the impact of climate change, is making water scarcity a serious reality in many parts of the world. By 2030, demand for water is forecasted to be 50% higher than today, and withdrawals could exceed natural renewal by over 60%, resulting in water scarcity for the population in developing countries like Indonesia (source: 2030 Water Resources Group).

With more than two thirds of all water being withdrawn by agriculture, food security is also at stake if we are not able to solve the water crisis. Increasing supply and improving efficiency of water usage will only take us so far. Meeting the rest of the challenge will require policy makers, civil society, agriculture and industry to work together to significantly improve the way we value, use and manage this precious resource. Main topics presented in this report are: ➔

- **Water sustainability.** Our commitment to responsible water management is translated through three approaches: First, we continuously monitor the status of each of the water source we use for the company's operation. Second, we carry out risk assessments and put measures in place to safeguard water resource against any potential risks. Third, we optimize the usage of water during production on a continuous basis. Furthermore, we provide access to water to the surrounding communities, including our raw materials suppliers, and carry out efforts in environmental preservation to ensure water sustainability.
- **Rural development and sustainable agriculture.** One of the focus of creating shared value activities is rural development through the empowerment of our agricultural raw material suppliers; increasing the productivity and quality of their produce through sustainable agricultural practice that preserve the environment. We have been providing technical assistance on sustainable agriculture practice and financial assistance, so that our agricultural raw materials suppliers are able to improve

their livelihood and increase economic activities in the rural areas. We at the same time get quality agricultural raw materials in line with responsible sourcing guideline for agricultural raw materials.

- **Nutrition, Health and Wellness.** Nutrition is fundamental to human life. All human achievement—social, economic and cultural—is directly influenced by access to food and water. Today, some parts of the society face serious malnutrition issues, while some others deal with the issues of over nutrition. These two nutrition issues caused burden to the society, government and the future generation. Therefore, on the nutrition focus of creating shared value activities, our approaches are to create awareness about good nutrition and healthy lifestyle, to produce nutritious food and beverages products to fulfill the society's need for nutritious food and beverages products, and to ensure that our marketing behavior and advertisement are in compliance with the prevailing laws and regulations and the company's policy on marketing and advertisement.



- **Our people.** Every day, our people bring Nestlé into the lives of our consumers, clients, customers and stakeholders. People who currently work for Nestlé contribute to build the company and its good reputation through their efforts, imagination and local insights.² With the ongoing global economic crisis, it is more important than ever that we continue to develop our people to be responsive to a rapidly changing world. Engaging employees effectively is vital in order to build loyalty and

sustain high performance at a time when so many people are concerned about social and economic challenges. Our investment in people benefits employees and their families. Through training and development we help employees to develop their skills and careers, and by providing safe working places and harmonious industrial relationships, we provide safe and comfortable working environments.

2. Nestlé in Society 2012

B+ Application Level

For the very first time, this report utilizes assurance's verification complemented by The British Standard Institution (BSI) Indonesia and result of application level from the National Center for Sustainability Reporting (NCSR). [3.13]

Re-statement

There is no re-statement on any significant changes. But the information presented in this report is more comprehensive compared to the previous report, with additional information on quantitative data, i.e. quantity of water saving. [3.10] [3.11]



"Becoming a dairy farmer enables me to
send my children to school."
—Sudarto

Creating Shared Value Concept ^[3.5]

* Complete information about CSV concept is available at:
<http://www.nestle.co.id/ina/csv> and www.nestle.com

"We believe we can make an important contribution to the society, by going a step beyond corporate social responsibility to create value through our core business both for our shareholders and society. We prioritize the areas of nutrition, water and rural development to create shared value; this requires long term thinking..."

Peter Brabeck-Letmathe
Chairman, Nestlé

"Creating Shared Value is built upon fundamental commitment to society, both to achieve the highest standards of compliance with laws, codes of conduct and our own Nestlé Corporate Business Principles as well as to protect the environment for future generations."

Paul Bulcke
CEO, Nestlé

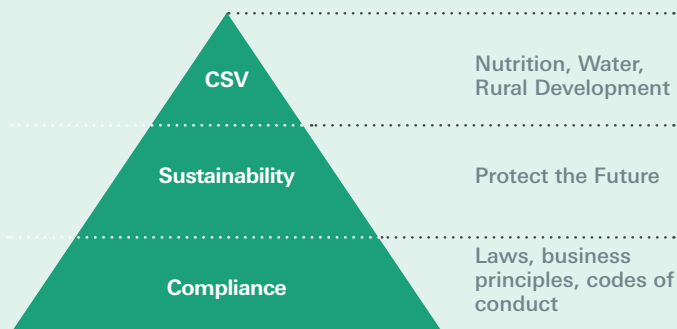
To continue to prosper over the long term, we need to ensure that the communities we serve and in which we operate prosper too. We are determined to ensure that our presence and operation bring benefits to our shareholders, as well as our people, the environment and society at large. Beyond complying with national laws, international standards and our own Nestlé Corporate Business Principles, we are operating in ways that help protect the environment for future generations. Thus, our commitments to sustainability and compliance form the foundations upon which we build our actions to create shared value in our focus areas of nutrition, water and rural development.³

3. www.nestle.com/csv/Water

Information on the achievement of these three focus areas are reported in this Creating Shared Value report, which includes: ↓

CSV Pyramid

Creating Shared Value in every stage of business chain



1 Water

Advocating for protection of scarce water resources and using water more efficiently in our manufacturing and distribution, in ways that also benefit others along our value chain as well as providing access to clean water to certain communities.

2 Nutrition

Providing nutritious products that deliver real health benefits to our consumers and by making our products more affordable and easily accessible through innovation as well as improving the communities' understanding about good nutrition and the importance of healthy lifestyle.

3 Rural development

Supporting farmer development in rural areas where raw materials are sourced, through providing technical and financial assistance on sustainable agriculture to improve productivity and quality of their produce. Therefore, we can secure our continued access to quality input and strengthening our supplier base.

Business Principles [4.8]



Mission

Nurturing a healthier life for Indonesians

Values

- Passion
- Respect
- Integrity
- Determination
- Excellence

Objective

To become the leading nutrition, health and wellness company trusted by all stakeholders, and to become the reference for Creating Shared Value initiative.

Nestlé Ten Corporate Business Principles

Consumers			Human Rights and Labour Practices	Our People	
1	2	3	4	5	6
Nutrition, Health and Wellness	Quality assurance and product safety	Consumer communication	Human rights in our business activities	Leadership and personal responsibility	Safety and health at work
Nestlé Principles on Nutrition Health and Wellness	Nestlé Quality Policy Nestlé Nutrition Quality Policy	Nestlé Consumer Communication Principles Nestlé Policy on Nutrition and Health Claims Nestlé Nutritional Profiling System Nestlé Nutritional Compass WHO International code of Marketing of Breast-milk Substitutes* Nestlé Privacy Policy	UN Global Compact* ILO Conventions 87, 138, 182* UN Convention of the Rights of the Child: Article 32* OECD Guidelines for Multinational Enterprises 2000* ILO Guidelines for Multinational Enterprises 2006*	Nestlé Management and Leadership Principles Nestlé Code of Business Conduct Nestlé Human Resources Policy	Nestlé Policy on Safety and Health at Work
Supplier and Customer		The Environment		*External References	
7	8	9	10		
Supplier and customer relations	Agriculture and rural development	Environmental sustainability	Water		
Nestlé Supplier Code	Nestlé Policy on Environmental Sustainability	Nestlé Policy on Environmental Sustainability	Nestlé Policy on Environmental Sustainability Nestlé Commitments on Water		

Expert Opinion

Nestlé Indonesia became Indonesia Global Compact Network (IGCN)'s member since mid 2012. Since then, Nestlé have been actively participating in several IGCN initiatives including the "Save Water" campaign and have been opening opportunity for the public to understand more about their partnership with dairy farmers and the communities.



Y.W. Junardy
IGCN President

Environmental issue has been a major concern, not only for environmental activists but also in business and the industry. Various discourses, often reported by the media, also raised question as to how committed are companies in taking concrete actions in preserving environmental sustainability. It becomes apparent that business which solely focuses on economical performance without taking actions on social and environmental sustainability will not be able to survive in the long run.

Nestlé, one of the multinational companies in Indonesia, is consistently creating sustainable value through the Creating Shared Value (CSV) concept. This concept provides a comprehensive approach to the economic, social and environmental aspects. CSV concept has become a reference for many companies to create shared benefit for both the companies and the societies. Within the CSV context, environmental preservation is one of the crucial

aspects in creating shared benefit simply due to its support to the whole business chain which is inter-related.

This CSV report provides information on the environment, particularly in preserving the clean water supply. The W.A.T.E.R. commitments initiated by Nestlé, is also expected to be a reference for other companies. Access to clean water is part of the human rights, while water supply is very vital for food availability. This is in line with the Global Compact principles in human rights and environmental conservation aspects. IGCN, therefore, warmly welcomes Nestlé's initiative in unveiling information to show Nestlé's commitments.

Disclosure of information on water is needed and supported by urgent major interests to conserve the environment. The current reality has become the deciding factor to set how water has become one material issue, for instance:



1 Indonesia has 6% of the world's water supply or account for around 21% from total water availability in Asia Pacific. However, in reality each year Indonesia experiences clean water crisis.

2 Clean water supply on year-on-year basis tends to decrease due to the destruction of water catchment area and environmental pollution which is estimated at around 15 to 35% per capita per year. On the other hand, clean water consumption tends to increase exponentially—particularly the supply on high-quality clean water for various needs.

3 The safety of water as drinking water in Indonesia has reached a worrying threshold. A 2007 United States Agency for International Development (USAID) report stated that research conducted in several cities across Indonesia shows that almost 100 percent of water resources have been contaminated with *E. coli* and Coliform bacteria.

4 Based on rating recently issued by the Ministry of Environment, the quality of environment index in Indonesia in 2011 has reached 60.25%. This is below the average world's index of the environment at 80–90%. According to the report on MDGs 2011 achievement, the number of household having access to clean water and health sanitation is only 47%.

5 The high level of flood phenomena in several provinces in Indonesia has become a separate agenda for the government.

Those realities are worrying and business needs to help to resolve it by helping to eliminate poverty and ensuring sustainable environmental management. We call all parties to be fully aware of the current clean water crisis, and we appreciate Nestlé's commitment and efforts in implementing the UN Global Compact Principles including the CEO Water Mandate.



Water







"Recycled water can be channeled to irrigate rice fields surrounding our factory."

Ensuring Water Sustainability

* More information is available at: <http://www.nestle.co.id/ina/csv/airdanlingkunganhidup/upayaupayaproduksi> & <http://www.nestle.co.id/ina/csv/airdanlingkunganhidup/menggunakansumberdayaalamdenganbijak>

The world is facing a water crisis—linked to a growing global population, increasing prosperity, urbanization and the impacts of climate change. All stakeholders must work together to solve this water crisis, otherwise food security is at stake. With two thirds of all fresh water used in agriculture and demand for water set to rise by 50% by 2030, water scarcity would be a likely scenario for developing countries like Indonesia.

PT Nestlé Indonesia's sustainability is dependent on environmental sustainability, including the sustainability of water. As a company that processes agricultural raw materials to become food and beverages products, the company's business sustainability is much dependent on the sustained supply of agricultural raw materials, which required much water supply. Therefore, one of our concerns in environmental conservation is on collective efforts to protect the water supply in nature through conservation of water resources.

All activities conducted by Nestlé, are part of W.A.T.E.R. commitments that has been launched by Nestlé S.A., the holding company:

Water Management in Production Process [EN10]

Water in the production process is particularly required for steam

generation, cooling towers as well as cleaning. We continue to reduce water usage and to re-use recycling water through circulation systems.

To generate steam, water is boiled in a boiler. The resulting steam is then used in the heating process and condensed into water. This water is then returned into steam generator and reused to generate more steam. This way, we have been able to significantly reduce our water usage.

Water usage per tonnes production during 2012 has been significantly reduced around 13% compared to 2010. Particularly for Kejayan factory since 2000 the efficiency level of water usage has reached 47%.

We also re-utilize water from fresh milk evaporation process or cows water. To produce milk powder, fresh milk supplied by dairy farmers, are processed through evaporator to separate water from milk solids. After being condensed, cows water is

W.A.T.E.R. commitments

Work to achieve water efficiency across our operations

Leading in water resource management and excelling in the direct reduction of the direct water use in all our facilities.

Advocate for effective water policies and stewardship

Promoting public policies that place value on water at every level.

Treat effectively the water we discharge

Setting strict targets for returning clean water to the environment.

Engage with suppliers, especially those in agriculture

Helping to improve their water management with focus on impacts at Water-shed level.

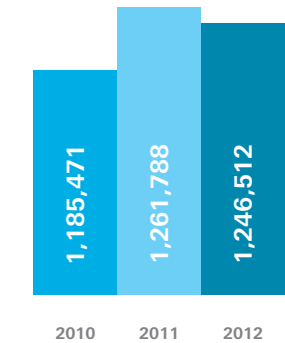
Raise awareness of water access and conservation

Engaging employees, communities and consumers in the water imperative.



13%
reduction of water
consumption per tonnes
of production

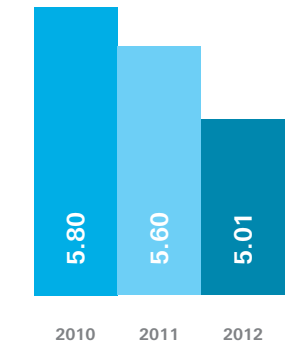
Total Water Usage (m³) [EN8]



Total Water Production (m³)



Specific Water Consumption (m³/ton production)



collected in a separate tank and re-used to clean equipment. This water is also utilized to supply additional water requirement in the cooling towers which are reduced due to evaporation process.

In line with our commitment to always protect the environment, the waste water is treated properly through waste water treatment plant to become clean water that is safe for the environment. After being processed, cows water and waste water are used to irrigate rice fields surrounding the factory area. The management of waste water is based on the principles of balancing, airing and cleaning.

The waste water treatment plant of Kejayan factory produces about 1,300 m³ of clean water every day. The quality of water is strictly and regularly monitored through laboratory testing. Furthermore, the treated water then channelled through 1.2 km of water canal to irrigate 26 hectares of rice fields surrounding the factory. Through this mechanism, farmers surrounding the factory have an alternative water supply, so that they are no longer dependent on irrigation water supply to irrigate their rice fields. Therefore, Nestlé’s presence indirectly benefits them. [EN22] [EN21] [EC9]

Overall, the volume of clean water generated from the waste water treatment facilities in three Nestlé factories during 2012 has slightly increased by 1.7% compared to 2010

to about 870,937 m³. This clean water has met C category quality standard for agriculture activity and obtained permission from the Environmental Office. [EN25]

We have been successfully and significantly reduced the water usage in our factories, and this was supported by our continuous saving projects. In 2012, we invited a team of experts from ETS (Energy Target Setting) to identify feasible water and energy saving projects. This team had successfully identified 21 water saving and 37 energy saving projects classified into short-term (less than one year), mid-term and long-term (two to three years) projects.

We have also built water tank to save rainwater for two to three days. The rain-water tank can help us to save water up to 300 m³ per day. After using the water tank for 8 months, the total quantity of water that we saved up until the end of 2012 was about 72,000 m³. The efforts to save water and energy reflect Nestlé’s commitment to preserve environmental sustainability.

By implementing good water management activities, so far Nestlé has never received any complaints from the local communities. We have also never received a sanction from the authority related to non-compliance on licences and procedure of ground water usage. [EN9]



1.300 m³

clean water from the waste water treatment channeled to irrigate rice fields



I was assigned as Team Leader at the Utility department of Kejayan factory in 2007. I really enjoy my job and my working relationship with my colleagues in the factory is very good. This is also supported by safe, comfortable, and conducive working environment. This factory is like my second home.

Since joining Nestlé, I have been very happy and felt challenged to do something meaningful, more than just work itself. I was happy when our team was able to treat production waste water to become good quality water that could be further re-utilized.

Our achievement in waste water management with good result was recorded since November 2012; in this case, it was 50% below the waste water standard level. With this result, the waste water could be re-utilized for agriculture irrigation or further production process.

As a food and beverage company, water is very important in the production processes at Nestlé factories. Quality water availability is an absolute necessity. This condition is continuously maintained and monitored through the presence of monitoring well, so that the quality and quantity of water supply at Nestlé factories are maintained.

I am satisfied working at Kejayan factory. The performance, working facility and supportive work environment make me feel proud.

—Pujiono
Team Leader Utility
Nestlé Kejayan Factory



Collective Efforts in Ensuring Water Sustainability

Our commitment in ensuring water sustainability is manifested by our participation in Indonesia Water Mandate Working Group (IWMWG) program initiated by Indonesia Global Compact Network (IGCN). Through this working group, Nestlé, together with other IGCN members, is actively campaigning on the importance of collective efforts in resolving the issue of clean water supply.

For over 30 years, Nestlé has been providing technical and financial assistance to dairy farmers which currently totaled to about 35,000 dairy farmers across East Java to improve

the productivity and quality of their produce. The technical assistance includes training on water usage for animal drink and cow-shed hygiene maintenance. Every day we purchase about 650,000 litres fresh milk from them. In line with our W.A.T.E.R. commitments, we conserve water involving the dairy farmers, which is part of the supply chain of our raw materials.

In collaboration with HIVOS and dairy cooperatives, we provide training and assistance to dairy farmers to manage cow manure, which amounts to 1,300 tons everyday, to become biogas. Through this training, cow

manure is no longer being disposed of and does not pollute the river and the ground. Rather, it is processed to become a source of energy to replace fire woods and other energy sources.

We are also involved in the Sustainable Agriculture Initiatives at Nestlé (SAIN) in collaboration with dairy, coffee and cocoa farmers. Through SAIN, Nestlé provides trainings and assistance on sustainable agriculture, such as water management and efficient water usage for agriculture, pre- and post-harvest management, and providing plantlets for coffee and cocoa farms rejuvenation.



“Together with dairy, coffee and cocoa farmers, we are involved in the Sustainable Agriculture Initiatives (SAIN) at Nestlé.”

As Nestlé’s partner and leader of Raharjo farmers group, 54 farmers and myself are grouped under one farmers group. Nestlé’s presence in Kejayan area has helped us, particularly with the presence of water canal for water irrigation. Water is very crucial for farming, and successful harvest is very dependent on water availability, not over but also not lacking of water supply. Although we know that the water comes from production process, it is of good quality and can be used for irrigation.

In addition, we also received trainings from the Ministry of Agriculture and other institutions which have been collaborating with Nestlé. We also received products from Nestlé which are distributed through head of village

during certain public holidays. Nestlé’s presence also improves the local communities’ economy surrounding Kejayan village because many people work at the factory.

We hope that Nestlé will continue to pay attention to the surrounding communities. I also hope that the Company can maintain the quality and quantity of the waste water irrigated to our farms.

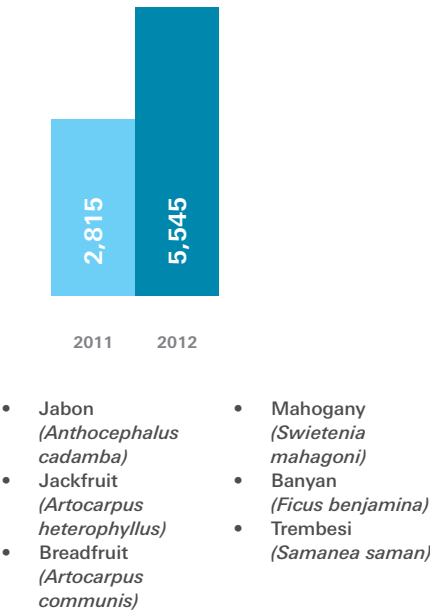
—**Mochammad Sueb**
Leader of Raharjo Farmers Group
Kejayan Village,
Pasuruan, East Java

23,545

trees were planted so that the land could absorb rainwater better



Number and Type of Trees Planted



In collaboration with other stakeholders, we also planted trees as one of our efforts in ensuring water sustainability. Together with WWF in the NEWtrees program, we planted about 8,000 trees in Lampung. The area is expected to function as a rainwater catchment area. The type of trees planted includes Jabon (*Anthocephalus cadamba*), Mahogany (*Swietenia mahagoni*), Jackfruit (*Artocarpus heterophyllus*), Breadfruit (*Artocarpus communis*), and Banyan (*Ficus benjamina*).

In addition, through other efforts we also planted trees in various locations which, at the end of reporting period the number has reached 5,545 trees. Some of those trees are local or endemic species so that the sustainability is maintained.

[\[EN13\]](#) [\[EN14\]](#)

Besides factory locations, in 2012 we have planted 5,000 trees in Probolinggo, East Java, as our support to the Probolinggo Green City program. We planted 2,500 Trembesi (*Samanea saman*) and 2,500 Mahogany (*Swietenia mahagoni*).

Nestlé employees have also been actively supporting the environmental conservation program. This is evident from their active participation in making biopore holes either at their work locations as well as their homes. The company facilitates this activity by lending biopore augers to employees. Through this activity, we hope the land could better absorb rainwater to preserve water.

“We participated in the UN Global Compact Initiatives—the one million biopore movement—through the Nestlé CSV Employee Volunteering program.”





Environmental Sustainability



Environmental Sustainability

Nestlé's business is dependent on increasingly constrained natural resources. Therefore, we have to help to protect the environment for current and future generations by improving environmental efficiency in our operations and involving our partners and stakeholders to optimize the environmental performance of our company and products along the value chain.

The Nestlé Policy on Environmental Sustainability covers our whole value chain, from farm to consumers. As part of our Nestlé Environmental Management System, we continuously make efforts to reduce our use of water, non-renewable energy and other natural resources to reduce our greenhouse gas emissions, to eliminate waste and to improve our environmental performance.

Packaging Waste Management

In line with the company's policy and in adherence to Law No. 18 of 2008 on waste management and Government Regulation No. 81 of 2012 on household waste management, Nestlé has started

to minimize the impact of product packaging waste. In partnership with several consumer goods companies, we have established a long term collaboration to launch a pilot project on packaging waste management in Pejaten, Pasar Minggu, South Jakarta. This pilot project would be then replicated in several other locations across the Greater Jakarta area and other cities. [\[4.11\]](#) [\[EN27\]](#)

Nestlé uses packaging materials which is 100% of recycled paper and 80% of recycled material for shipping case. All suppliers of packaging materials have to attain Certificate of Analysis (CoA) and Certificate of Compliance (CoC). [\[EN2\]](#) [\[EN27\]](#)

Emission Control

Nestlé continuously makes efforts to reduce greenhouse gas emission of production processes. Since 2008, we have been using natural gas as energy source to operate steam turbine and co-generation plant, replacing Heavy Fuel Oil (HFO) and Light Fuel Oil (LFO) usage. This has enabled us to reduce by average 7,016 tonnes of CO₂ equivalent emission in 2011. However, since mid 2011 we experienced problem with natural gas supply, so that we have to meet our

energy requirement with electricity from Perusahaan Listrik Negara (PLN- State Owned Electricity company). As a result, our electricity requirement increased by 18% from 2011 to 2012.

[\[EN6\]](#) [\[EN18\]](#)

In 2012, CO₂ emission was reduced as we had managed to reduce the energy consumption per tonnes product as a result of efficiency efforts and the renewable energy development. Biomass, such as coffee spent ground and palm kernel shell utilization as substitute of fossil fuel, has reduced CO₂ emission by 17% in 2012. Overall, emission per tonnes production was reduced by 6.2%.

Nestlé also makes efforts to control emission of NO₂, SO₂ and other ozone-depleting substances. We have taken several actions, among others, in utilizing ammonia for environmental-friendly cooling system, utilizing dry powder and CO₂ as well as avoiding halons usage for light fire extinguisher equipment. All emission is monitored and measured to ensure that they are always below the threshold stipulated by the government. [\[EN29\]](#) [\[EN20\]](#)



The Nescafé Plan program in Lampung that ensures environmental sustainability

4.1%

reduction of GHG
emission per tonnes
of production

Direct and Indirect Measurement Result of Greenhouse Gas Emission (tonnes CO₂eq per tonnes of product) [\[EN16\]](#) [\[EN17\]](#)

CO ₂ Sources	2010	2011	2012
Total direct and indirect CO ₂ emissions (incl. non-biomass + refrigerants)	95,244	108,299	111,567
Total Production (tonnes)	204,301	225,242	248,594
Tonnes CO ₂ /tonnes product	0.47	0.48	0.46

Measurement Result of SO₂, NO₂ Emission and Other Substances [\[EN20\]](#)

Parameter	Standard	2010	2011	2012
NO ₂	1,000	540.8	488.0	479.8
SO ₂	800	51.7	46.6	51.5
Particulate	350	15.7	20.9	28.2

Energy Usage and Saving

We continuously make efforts to achieve energy efficiencies at our factories, in line with our objective to become the most efficient energy user among food industries.

The direct energy requirement is still provided by primary energy sources, which is fossil fuel. However, we have been using other alternative energy by utilizing coffee spent ground and palm kernel shell. Palm kernel shell as energy sources was first utilized in March 2012 and was proven to effectively reduce coal usage as well as the greenhouse gas emission. Through improving production efficiency and utilizing renewable energy, we had been successful in reducing energy consumption per tonnes production by 14.5%. [\[EN3\]](#) [\[EN4\]](#) [\[EN6\]](#)

By reducing the usage of energy sourced from coal and High Sulfur Fuel Oil (HSFO) and substitute them with biomass, we have managed to reduce the company's energy consumption. Meanwhile, the utilization of electricity as energy source has increased to 18% of the total energy consumption due to limited supply of alternative energy. Energy sources for electricity generator which initially was sourced from natural gas for gas turbine and fossil fuel for power generator, is now replaced with electricity supplied by state-owned electricity company (PLN). We have also begun our efforts to use solar-powered lamps to support operation efficiency. [\[EN5\]](#)[\[EN6\]](#)

Other energy saving activity that is part of the implementation of Nestlé Continuous Excellence (NCE) is the transportation of raw material by suppliers in order to reduce transportation trip and to limit employees' business trips. [\[EN7\]](#)

14.5%

reduction on energy consumption per tonnes of production

Energy Consumption Per Tonnes of Production

	2010	2011	2012
Total production (tonnes)	204,301	225,242	248,594
Total energy consumption (GJ)	1,401,761	1,519,049	1,432,289
Consumption (GJ/tonnes product)	6.86	6.74	5.76

Energy Usage (GJ) [\[EN3\]](#) [\[EN4\]](#)

Type of energy	2010	2011	2012
Direct Energy Sources			
Coal	161,420	98,584	30,120
HFO / residue	49,395	227,744	202,739
Natural gas	941,237	866,122	777,346
Biomass			
• Coffee spent ground	31,705	11,619	23,772
• Palm kernel shell	-	-	130,121
Total of direct energy sources (GJ)	1,311,631	1,410,328	1,164,097
Indirect Energy Sources			
Electricity from PT PLN (GJ)	90,131	108,721	268,396





4,000
coffee farmers have
received assistance
in good agriculture
farming about
the importance of
conservation

Land and Biodiversity

All Nestlé factories in Cikupa, Kejayan, Panjang and the newly-setup plant in Karawang are not located in the protected area or protected area due to biodiversity reason. Therefore, our operations do not significantly impact the existing biodiversity. [\[EN11\]](#) [\[EN12\]](#)

We also ensure that surrounding our factory areas there are no legally protected animal nor plants, listed in the International Union for the Conservation of Nature and Natural Resources (IUCN), Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and Law No. 5 of 1990 on Natural Resources Conservation and Ecosystem. [\[EN15\]](#)

We continuously make efforts so that the coffee farmers supplying us with coffee beans do not conduct

any farming activity in the protected forest that is rich in biodiversity. We understand the concerns of several stakeholders on our coffee suppliers on whether the coffee beans supplied by them are originated from the protected forest of Bukit Barisan Selatan National Park (TNBBS). To minimize the impact on biodiversity in the TNBBS, in collaboration with World Wildlife Fund (WWF), we provide assistance to coffee farmers so that they conduct their coffee farming activities in a sustainable way, ensuring the sustainability of flora and fauna at TNBBS. By the end of 2012, over 4,000 coffee farmers have received training on good agriculture farming and knowledge on the importance of conservation. [\[EN11\]](#) [\[EN14\]](#)



Cocoa beans that can be traced up to the farms

Ensuring Raw Materials Supply

Sustainable water availability and environment will directly ensure the supply of agricultural raw materials. The main agricultural raw materials for our production process are fresh milk, coffee beans and cocoa which totaled at about 252 thousand tonnes. All of these main raw materials are consumable. [\[EN1\]](#) [\[EN2\]](#)

In addition to our own efforts together with our stakeholders, we also apply Nestlé Supplier Code and Nestlé Policy on Environmental Sustainability to all our suppliers.

Main Raw Materials in Production Process [\[EN1\]](#) [\[EN2\]](#)

Main raw material	unit	2010	2011	2012
Fresh milk	ton	216,015	237,106	237,541
Coffee beans	ton	9,893	10,192	13,637
Cocoa powder	ton	943	1,048	1,033
Total	ton	226,851	248,346	252,211







“It has been Nestlé’s policy to ensure sustainability in the company’s operations.”

Waste Management (Tonnes) [\[EN22\]](#)

Year	Volume of waste produced		Percentage of managed waste	
	Hazardous waste	Non-hazardous waste	Reused	Managed by third party
2011	2	6,149	88%	12%
2012	22	7,896	61%	39%

Waste Management

It has been Nestlé’s policy to ensure sustainability in the company’s operations. Therefore, we continuously make efforts to reduce the impacts of our operation and manage waste so that it will not impact the environment. We ensure our compliance to the prevailing environmental laws and regulations. All our factories have waste water treatment plants to process factory liquid waste.

Only few of the waste that we generate are classified as hazardous waste, and we manage this hazardous waste in line with prevailing regulations.

One of the non-hazardous waste is sludge resulting from waste

water recycling activities. Sludge is processed by drying and then utilized as organic fertilizer for plants. Methods to manage other waste are used in line with the characteristic of each waste. [\[EN22\]](#) [\[EN24\]](#)

Achievement

Our efforts in environmental sustainability have been acknowledged by the Ministry of Environment of Republic of Indonesia in 2012. Kejayan factory received Green PROPER achievement, and Cikupa and Panjang factories received Blue PROPER achievement. We have also never faced any financial nor legal charges related to environmental management. [\[2.10\]](#) [\[EN28\]](#)



Rural Development





Rural Development



* Further information on Nestlé partnership with dairy farmers is available at: <http://www.nestle.co.id/ina/csv/pembangunanpedesaan/jalanpanjangmenuju>

Rural development is one of our three CSV focus areas. In Indonesia more than 60 percent of its population live in the rural areas. The sustainability of our business depends on the supply of agricultural raw materials produced by over 50,000 dairy, coffee and cocoa farmers. With the growing trend of urbanisation, the need for a strong rural agricultural resource base is obvious in order to fulfill the food demand of cities.

Most of our factories are located in the rural areas and become engines for rural and economic development, as they create employment, multi-tier economic activities in rural areas, and contribute to local infrastructure. Therefore, our collaboration with dairy, coffee and cocoa farmers by providing them with technical and financial assistance to improve the productivity and quality of their produce, is very important in improving their livelihood, eradicating poverty and securing our agricultural raw materials supplies. This approach is mutually benefiting the farmers and the Company.

We are an active member of PISAgro (Partnership for Indonesia Sustainable Agriculture), a public-private partnership aiming to support the Indonesian government to address national food security by increasing agricultural production in a sustainable manner and improving the livelihoods of small farmers. Established in April 2012, PISAgro's

membership consists of a number of national and international companies, in collaboration with the World Economic Forum bringing in New Vision of Sustainable Agriculture. Currently we are leading the dairy, coffee and cocoa working groups.

PISAgro's aspiration is to achieve a target of 20% increase in agricultural productivity, 20% increase in farmers' income and 20% decrease in greenhouse gas emissions each decade.

Partnership with Dairy Farmers [S01]

Nestlé's partnership with dairy farmers in East Java had started in 1975 when Nestlé purchased, at that time, 160 litres of fresh milk from dairy cooperative SAE Pujon. Currently, the partnership that has been ongoing for over 30 years has involved about 35,000 dairy farmers. The partnership with dairy farmers is strategic both for Nestlé and dairy farmers:

35,000

dairy farmers received assistance



1 The dairy farmers, in addition to getting technical assistance on good and sustainable dairy farming to improve the productivity and quality of their fresh milk, can also sell their produce to Nestlé. We buy the milk as raw materials for the production at Kejayan Factory, which has capacity to process about 1.5 million liter of fresh milk everyday. Therefore, the dairy farmers can obtain market access and income, and Nestlé can secure its raw materials supply. Currently, Nestlé purchases about 650,000 liters of fresh milk every day from about 35,000 dairy farmers in East Java.

2 The dairy farmers through their milk cooperatives also receive financial assistance from Nestlé to buy dairy equipments such as cooling units, milk churns, and to improve their cow sheds. These provided benefits for the dairy farmers and cooperatives so that they would be able to improve the productivity and quality of their fresh milk. The benefit for us is to be able to procure good quality fresh milk.

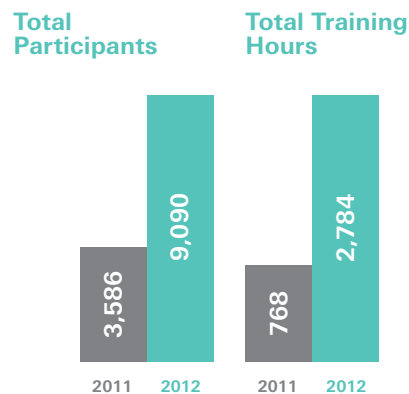
Production from Dairy and Coffee Farmers [EC6]

Period of Reporting	Dairy Farmers		Coffee Farmers		Cocoa Farmers	
	Total	Production (tonnes/day)	Total	Production (kg/ha)	Total	Production (tonnes/ha)
2010	36,000	660	9,000	600	0	0
2011	37,000	649	9,000	1,000	29	0
2012	35,000	649	10,000	1,200	1,093	524

Description: Partnership with cocoa farmers started in 2011 and involving the regional plantation office, while procurement from cocoa farmers begun in 2012

3 In the partnership with dairy farmers, together with HIVOS we provide assistance for the construction of biogas digesters to process cow manure to become methane gas that can be utilized for cooking and lighting. With this program, the areas in which the dairy farmers live become cleaner and healthier because they do not need to utilize fire woods and buy gas anymore.

Dairy Farmers Training



Note: The increase of training hours corresponds to the number of participants and trainers.



Milk collection center in East Java.

Over the last two years, fresh milk production has been affected by the increasing price of animal feed and beef price which resulting in the reduction of dairy cows population and fresh milk production in Indonesia. In 2010, Nestlé was able to procure about 660,000 litres of fresh milk every day, but to date we can only purchase about 650,000 litres.

As an effort to find solution for cattle feeding to improve the productivity of dairy cows, we collaborate with several partners like DuPont, Evialis and the East Java provincial government. In PISAgro Dairy Working Group, we take the initiative to double fresh

milk production through feeding improvement by introducing and providing information on corn silage's benefit as alternative supply for animal feed. Corn silage is an excellent animal feeding because it contains a lot of protein, energy (particularly starch) and is easily digested. [\[S05\]](#)

From the early stage of this project that was carried out in East Java, the collaboration has improved animal health as well as productivity by an average of 25%. Within the next five years, fresh milk production and cow's health will also improve. Dairy and corn farmers will also derive the benefits from this dairy task force initiative. In addition, the PISAgro

Dairy Working Group has also made an effort to establish a sustainable dairy cow farming development model.

All of the above efforts are aimed to assist the dairy farmers to improve the productivity and quality of their produce, to improve their livelihood, and to reduce the dependency on imported raw materials, which at the end would help maintain national food security.



BIRU Biogas Program [S01]

Dairy farming in East Java has its environmental impact caused by cow manure. In collaboration with HIVOS and dairy cooperatives, through BIRU program, we provide training and assistance to dairy farmers to process cow manure, which amounts to 1,300 tonnes everyday, to become biogas. Through this training, cow manure is no longer disposed of and does not pollute the river and the ground. Rather, it is processed to become a source of energy to replace fire woods and other energy sources.

In this program, Nestlé provides 75% of the cost of biogas digester construction in the form of free interest loan, which is distributed by dairy cooperatives. The remaining 25% of the construction cost was provided by HIVOS and the government through a grant scheme.

HIVOS research held in five provinces, including East Java, on December 2011 indicates that biogas utilization brings the following benefits:

- Reduction of the utilization of fire wood (31%), kerosene (25%) and LPG (49%) for cooking
- Reduction of health problems caused by smoke on women and children including eye irritation (22%), eye infection (10%), cough (21%) and breathing disorder (21%)
- Reduction of trees cutting activities

in the state forests, used for firewood from 12% to 3%.

- Reduction of utilization of firewood gathered from trees in the farms and home yard from 78% to 55%
- Development of plant and organic fertilizer from bioslurry
- Creation of 250 new job opportunities

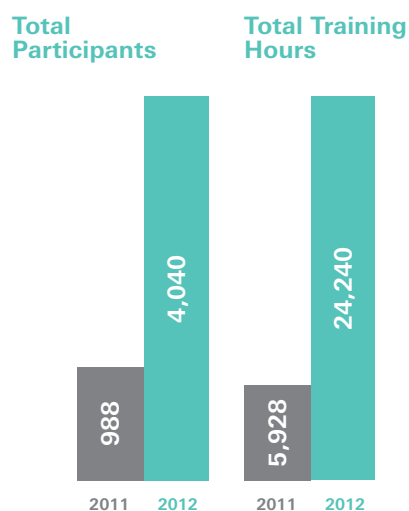
By the end of 2012, there were about 5,000 biogas digesters installed for dairy farmers, member of dairy cooperatives, who are Nestlé's partners. This number has increased significantly compared to 2010 which was only 1,262 units. We hope that by the end of 2017, all dairy farmers, would already utilized biogas digesters, including those dairy farmers who own less than five cows.

* Further information on Nestlé biogas program can be accessed at: <http://www.nestle.co.id/ina/media/inaugurasi-unit-biogas-ke-5000>

Partnership with Coffee Farmers [S01]

Our partnership with coffee farmers in Tanggamus and West Lampung regencies started in 1994. Since then the collaboration has been flourishing and now is involving more than 10,000 coffee farmers and other stakeholders including the Ministry of Agriculture and the Indonesian Coffee and Cocoa Research Institute.

Coffee Farmers Training



Note: Since 2011 we continued the basic training with validated and certified programme, participated by all coffee farmers. The increase of the number training participants in 2012 was supported by the basic competency.

* Further information about Nestlé partnership with coffee farmers is available at: <http://www.nestle.co.id/ina/csv/pembangunanpedesaan/kemitraanberkesinambungan> <http://nescafe.co.id/farming.nescafe>

The collaboration with Indonesian Coffee and Cocoa Research Institute (ICCRI) in coffee planting and technical assistance and technology transfer from Nestlé Research and Development in Tours, France, have been ongoing since 1994. With Nestlé's assistance, two ICCRI experts studied at the local universities in

Training for Cocoa Farmers

Total Participants



Total Training Hours



2011: Farmer

2012: Trainer

Note: Partnership and training with farmer was started in 2012. The training is facilitated by 29 participants from regional plantation office who have participated train the trainer programme in previous year

France and received trainings at the Nestlé Research and Development in Tours.

Partnership with Cocoa Farmers

[S01]

Nestlé utilizes cocoa powder to produce several food and beverages products such as DANCOW chocolate milk powder and MILO chocolate malt drinks. Supply of cocoa powder as raw material for our factory, is supplied by other company processing cocoa beans to become powder. In line with our efforts to create shared value at every stage of value chain, it is important for us to help to improve the productivity and quality of cocoa farmers' produce, by providing them with training on sustainable and good cocoa farming practices.

Training and assistance program are manifested through public private partnership program with sustainable cocoa stakeholders in Indonesia. This activity is part of Nestlé global program "The Cocoa Plan" aimed to assist cocoa farmers to improve

the productivity and quality of their produce. Several stakeholders involved in this program include, among others, the Indonesian Coffee and Cocoa Research Institute (ICCRI), PT BT Cocoa, Swisscontact and the regional governments.

During the initial stage, this program was implemented through training and assistance involving 1,500 cocoa farmers in West Sulawesi. It is expected that the number of farmers involved in this program will increase to reach about 3,000 cocoa farmers.

Posyandu Movement

The Posyandu Tumbuh-Aktif-Tanggap (TAT) movement supports the Government's program to revitalize and to improve the quality of Posyandu across Indonesia. We hope this movement will be able to improve the role of Posyandu cadres as the front-liners in health, and more Indonesian people will visit Posyandu to monitor the growth, activities and response of their children below three years old (batita). The Posyandu

* Further information on Nestlé partnership with cocoa farmers can be seen at: <http://www.nestle.co.id/ina/media/pressreleases/nestleindonesiamemprakarsailokakarya>

Cocoa farmers field school in Mamuju, West Sulawesi.





Peduli TAT movement is part of Nestlé Indonesia's commitment in helping to nurture a healthier life for Indonesians. We are optimistic that through this national movement we can improve the knowledge of Posyandu cadres to help nurture healthier Indonesian batita.

The program implementation includes classes for Posyandu cadres, Posyandu contest in 16 provinces as well as awarding the best cadre and best posyandu during the National PKK Gymboree held on October 2012.

* Further information about this program is available at: <http://www.nestle.co.id/ina/media/gerakanposyandupeduli>

Economic Achievement in Rural Development

Nestlé and its partnering farmers face many challenges in improving the productivity and quality of their produce, such as decreasing fresh milk production due to the decrease of dairy cows population. Coffee and cocoa farmers experienced lower productivity in their farms as their coffee and cocoa trees need to be regularly rejuvenated. Therefore, we continuously maintain our efforts in providing technical assistance on good agriculture farming and distributing coffee and cocoa plantlets, in addition to providing training programs. Through these efforts, during the reporting period, we received

sufficient supply of fresh milk and coffee to fulfill the raw materials requirements of our factories. [EC2]

We conduct our business by creating shared value along our value chains and for the society. For our raw materials procurement, we involve local suppliers, such as dairy farmers, coffee and cocoa farmers as our suppliers. [EC6]

Our partnership does not only provide income to the farmers, but also to other members of the society due to the economic multi-tier impact. Therefore, the rural economy is progressing and so is the welfare of the society in the village. [EC9]



Nutrition





Nutrition

Growing world population, urbanisation, and raising incomes have impacted people's nutritional habits and health. This situation increases the number of people adopting less nutritionally-balanced diets and more sedentary lifestyles that lead to over-nutrition and related non-communicable diseases. On the other hand, under-nutrition, including micronutrient deficiencies and associated disorders, persist. These will impact the quality of the future leaders of the nation and burden the state financially.

As the leading nutrition, health and wellness company, we play an important role in offering the right kind of products and helping consumers to make the right nutritional choices. This is in line with Nestlé's main objective to enhance the quality of consumers' lives everyday, everywhere by offering tastier and healthier food and beverages choices and encouraging a healthy lifestyle. We express this via our motto: "Good Food, Good Life."

[PR1]

Nestlé believes that healthy diets must be enjoyable. Therefore, we always ensure products safety, good taste and nutritional content in our product development and launching. Our "60/40+" program constantly re-challenges our products to ensure that they are preferred by at least 60% of consumers panel from taste point of view, and these products containing nutritional competitive edge compared

to similar products in the market. The trusted quality of our products has averted us from any legal charge or incident throughout 2011 to 2012.

[PR1] [PR2]

Based on the recommendation of public health and consumers science institutions, we have implemented the criteria of Nestlé Nutritional Profiling System to optimize the nutritional value of food and beverage products that we develop and produce. Products which achieve specific criteria of Nestlé Nutritional Profiling System are said to attain the Nestlé Nutritional Foundation status and accordingly represent appropriate choices when the consumers choose to have them in the context of a balanced diet. In 2012, we have ensured that 72% of our products attained Nestlé Nutritional Foundation status, and deliver the best nutritional value for our consumers. [PR1] [FP4]

* Information on Nestlé Nutritional Profiling System can be found at: [http://www.nestle.co.id/ina/randd/inovasi dan renovasi yang berkesinambungan](http://www.nestle.co.id/ina/randd/inovasi%20dan%20renovasi%20yang%20berkesinambungan)



72%

products attained Nestlé Nutritional Foundation status







>35,000

participants of MILO
Jakarta International
10K

Nutrition Awareness and Children Health [SO1]

Nestlé communicates with its consumers through various channels as part of the efforts to provide knowledge to the society on the importance of a balanced diet and healthy life style. This is in line with Nestlé Indonesia's mission to help nurture a healthier life for Indonesians. In conducting consumers communication and marketing, Nestlé always ensures its compliance to the policy, principles and guidelines to secure consumers' trust on our company and brands.

Several activities that we do are as follows:

- **Healthy Breakfast Campaign – Nestlé Breakfast Cereals**

About 2,000 pairs of mothers and their children joined KOKO Olympiade 2011 on the 24th of July 2011. They joined the mass breakfast event simultaneously conducted in four cities: Bandung, Surabaya, Medan, and Makassar. This activity broke the record of the Indonesian World Records Museum for breakfast with the largest number of participants.

- **Nestlé Breakfast Cereal Social Gathering**

Nestlé Breakfast Cereal social gatherings aim to provide consumers with knowledge on the importance of breakfast, type of good breakfast and nutritional contents of various type of breakfast. The 2011 Nestlé Breakfast Cereal social gatherings were held from the month of October to December 2011 and involved the participation of 1,858 mothers from 60 housing compounds across Bandung, Pekanbaru and Banjarmasin. In 2012, similar activities were held from February to July, and joined by 3,000 mothers from 100 housing compounds across Bandung, Yogyakarta, Pekanbaru, Medan, and Balikpapan.

- **MILO School Competition**

Thanks to the support of the Municipalities Offices of Ministry of Education and Culture and the Indonesian Badminton Association (PBSI), to date more than 28,500 elementary and junior high school students have had the opportunity to participate in MILO School

Competition in 25 cities across 16 provinces throughout Indonesia.

* Further information on MILO School Competition can be found at: <https://www2.sahabatnestle.co.id/milo/aksi-milo.aspx>

- **MILO Jakarta International 10K**

As a realization of Nestlé MILO's long-term commitment to sports and healthy lifestyle, since 2010 Nestlé MILO has been the main sponsor of the "Jakarta International 10K (JI10K) Marathon", an international 10 kilometer marathon competition held in Jakarta. Over 35,000 participants, including elite international and national runners took part in the race each year.

* Further information on MILO Jakarta 10K can be found at: <http://www.nestle.co.id/ina/media/milo-jakarta-international-10k>

- **DANCOW Nutrition Caravan**

In collaboration with the Association of Indonesian Medical Nutrition Doctors (PDGMI) and the Ministry of National Education

250,000

primary school
students involved
in the DANCOW
Nutrition Caravan
program since 2008



and Culture, since 2008 DANCOW Nutrition Caravan has enriched the current “Small Doctors” program with nutrition education to become “Small Doctors–Nutrition Expert”. These activities aimed to provide education on nutrition, health and personal hygiene for elementary school students, their teachers and parents. Since 2008, Nutrition Caravan DANCOW has reached about 250,000 elementary school students including 2,500 Small Doctors–Nutrition Expert from 25 cities across islands from Sumatera to Papua.

* Further information on DANCOW Nutrition Caravan can be found at: <https://www2.sahabatnestle.co.id/dancow/dancowcaravan/modul.html>

- **Nestlé Healthy Kids**

We still continue the Nestlé Healthy Kids (NHK) program aimed to improve awareness, knowledge and understanding about nutrition, personal hygiene, and the importance of physical activity among elementary school children through rejuvenating the School Health Units. To support the program, in collaboration with the Indonesian Nutritionist Association, Nestlé developed 12 educational modules on nutrition and foods, personal hygiene, environment and physical activity. In addition, NHK also provides health training and seminar for teachers and other school stakeholders. This program has reached 65 elementary schools across 17 regencies/cities involving 28,000 students. This is a significant increase compared to 2010, in which the number stands at 1,500 students.

* Further information on Nestlé Healthy Kids can be found at: <http://www.nestle.co.id/ina/csv/gizidankesehatan/healthykidsprogram>

- **Nestlé Nutrition Institute (NNI)**

Nestlé Indonesia is also actively involved in activities organized by the Nestlé Nutrition Institute, a non-profit organization established in 1981 with its headquarter in Switzerland, and has the objective to foster science, particularly nutrition, for better nutrition for humanity. NNI aims to contribute to the enhancement of the quality of people’s lives all over the world through sharing knowledge. By the end of 2012, NNI had organized various scientific activities such as seminar, update meeting and trainings, which were also participated by Indonesian scientists, medical practitioners and nutritionists, as follows:

21,751

primary school
students benefit from
the Nestlé Healthy
Kids program



- Nestlé Nutrition International Workshops, 74 workshops with 94 Indonesian medical practitioners participants
- Pediatric Update, 13 update meetings involving more than 1,250 pediatricians across Indonesia
- Nestlé Fellowship Training program, 11 Indonesian pediatricians participated in the program at a reputable hospital in Singapore

Donation [\[SO1\]](#)

Nestlé regularly donates milk products to several orphanage, foundation, hospital, and social organizations.

We ensure the safety and quality of the products donated are safe for consumption. In addition, we provide training to recipients of donations on proper milk preparation before delivering the products. The donation mechanism requires further re-checking on the expiry date; there

are also requirements to not delay the products distribution, not to sell the products and not to exchange the donated products. The donated products delivery is formalized by the signing of acceptance letter between Nestlé and the related parties. This mechanism is to ensure that the donation is done properly. [\[SO2\]](#) [\[PR3\]](#) [\[FP8\]](#)

Consumer Information and Communication

Nestlé is committed to responsible and reliable marketing and communication to consumers. In communication, we always ensure our compliance to the prevailing laws and regulations and to the Company's internal policy, principles and guidelines. Several of these policies, principles and guidelines are the Nestlé Consumer Communication Principles, Nestlé Marketing Communication to Children Policy and Nestlé Policy on Nutrition and Health Claims.

In general, our consumer communication and marketing include advertisement, sales promotion and sponsorship. Our compliance has averted us from any legal charge or incident related to our marketing and consumer communication activities.

[\[PR6\]](#) [\[PR7\]](#)

Product Information

To help consumers make more informed decisions about our food and beverages products, we display the Nestlé Nutrition Compass on the label of our products. The compass provides relevant information to guide consumers to understand the nutrition table, the ingredients used in the products, tips for responsible enjoyment and the proper and healthy use of our products. [\[PR3\]](#)

The following information is attached in all products labels: [\[PR3\]](#)

- Halal label from Majelis Ulama Indonesia (Indonesian Ulama Council)



- Registration number from Indonesian Foods and Drugs Supervision Institution
 - Direction to use
 - Production code
 - Expiry date
 - Consumer service call centre
- The trusted quality of our products has averted us from facing any legal charge or incident during 2011 and 2012. [PR1] [PR2]

* Information about Nestlé products could be found at the following websites: <http://www.nestle.co.id/ina/gizi-kesehatan-keafiatan> dan <http://www.nestle>.

co.id/ina/csv/gizidankesehatan/memanfaatkankemasan

Compliance

In line with the World Health Organization's (WHO) recommendations, we support exclusive breastfeeding during the first six months of a child's life and continued breastfeeding until two years old, with the introduction of nourishing complementary foods, when the baby reaches six months old.

In marketing infant formula and follow on formula products, we abide by the WHO Code on the Marketing

of breast-milk substitute and its implementing regulations in Indonesia. We also apply internal regulation, i.e. Nestlé Policy and Instruction on Implementing the WHO Code.

To ensure compliance, we regularly provide training to our employees and suppliers, and also conduct compliance audit.

Consumer Satisfaction

As one of the efforts to continuously meet our consumers' need and to satisfy our consumers, during 2011 and 2012 we had conducted various consumer researches. The research focused on consumer satisfaction on



products categories in various major cities in Indonesia by using interview and questionnaire methodologies. [PR5] We always welcome the input of our consumers directly and indirectly, through Nestlé Consumer Services (NCS) telephone line or <https://www.sahabatnestle.co.id/Page/> [PR5]

During 2011, NCS received 16,561 feedbacks from consumers consisting of 70% positive feedback and 30% negative feedback which are categorized as complaints. In 2012, NCS received 18,925 feedbacks consisting of 90% positive feedback and 10% negative feedback which were categorized as complaints. [PR5]

Besides direct consumer communication, we also organized various program and marketing communication activities involving our business partners. From April to June 2012, in collaboration with our partners Lotte Mart, Hypermart, Carrefour, Dairy Farm, Lion Super Indo and Yogya, we held “Nestlé Health and Nutrition Fair” providing our consumers with nutrition consultations as a gesture of our appreciation. These events were joined by about 20,000 participants.

In line with the Nestlé Corporate Business Principles, the Nestlé Code of Business Conduct and the

Nestlé Communication Principle, we respect the privacy of individuals and, therefore, protect their personal data; this includes the personal data of our consumers. We have set a system to store consumer data and strict rules on its usage. Therefore, during our reporting period we have never received any complaint on data utilization and consumer privacy. We have also never faced legal claims nor financial charge related to non-compliance with law on consumer protection. [PR8] [PR9]



Our People





Our People

“Through employee engagement we build employee loyalty and high performance amidst tight competition”

Every day, Nestlé’s employees help the company to gain and build consumers’ and other stakeholders’ trust to the company.

Through training and development we provide our employees with opportunities to improve their knowledge and skills to adapt with the rapidly changing world, so that they can help the company in building its competitive advantage. Effective employees engagement by the company has enabled us to build employees’ loyalty and sustain high performance in the very competitive employment market.

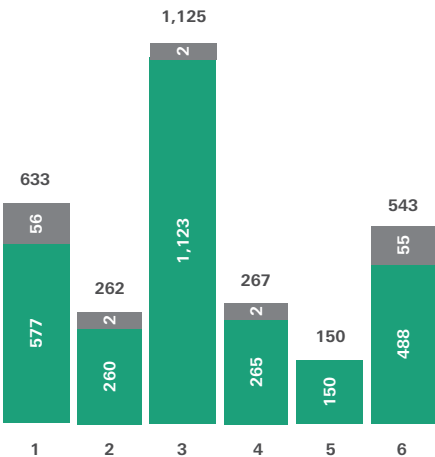
Employee Profile

Until the end of 2012, Nestlé has 3,055 regular employees and during the reporting period, 246 employees left the company. Meanwhile, there were 399 and 688 new employees joining the company in 2011 and in 2012 respectively. The significant increase of the number of employees was due to the preparation of the new Karawang factory in 2013. [LA1] [LA2]

In compliance with prevailing law and regulations on Manpower, ILO

Conventions and Recommendations, and the Nestlé Corporate Business Principles, we set 18 years old as the minimum age of worker, so that we can ensure that we do not employ minor worker at our company. We also ensure the efforts to eliminate minor worker along our value chains, by implementing preventive measures such as requiring the farm workers to document every workers’ age in the coffee farms. [HR6] [HR2]

Total Number of Permanent Employee Based on Work Sites [LA1]



Total Number of Employee Based on Employment Status [LA1]



- 1 Head Office
- 2 Cikupa Factory
- 3 Kejayan Factory
- 4 Panjang Factory
- 5 Distribution
- 6 Sales Office



Employee Composition Based on Gender and Age [\[LA1\]](#) [\[LA13\]](#)

Level	Total	Gender		Age Group		
		Male	Female	<30	30–50	>50
Manager level and above	276	191	85	5	235	36
Executive – Senior Executive	427	296	131	84	316	27
Supervisor – Senior Supervisor	754	387	367	441	296	17
Operator	1,722	1,630	92	902	731	89

Non Discrimination

We provide equal opportunity for anyone to work for at Nestlé. However, for certain type of jobs, particularly in the factories, the company has a policy to prioritize local workforce. This is part of our strategy to leverage our presence in creating shared value to the local communities.

From the total number of PT Nestlé Indonesia's permanent employees of 3,055 persons, over 99% are local employees, i.e. Indonesian citizens. While the remaining 23 employees are expatriates whose presence are required for the company's operation, and whose licences comply with the prevailing regulations. [\[EC7\]](#)

Remuneration for work is determined based on stipulation defined in the company's policy, including allowance and other facilities set based on employment status. Gender, age and any other discriminative issues have never been the factors in deciding remuneration.

[\[LA3\]](#) [\[LA14\]](#)

In line with the company's policy, Nestlé guarantees female workers returning from maternity leave to hold her previous position, as well as all the rights attached to it. [\[LA15\]](#)

Labor Unions and Collective Labour Agreement (CLA)

In line with the Nestlé Corporate Business Principles, we aim to foster corporate culture based on trust, mutual respect and dialogue with all our employees. We foster the culture by respecting the right of our employees to join a labour union of their choosing and to engage in constructive negotiations, and we also offer competitive remuneration to enable them to meet their needs in line with the local living standards.

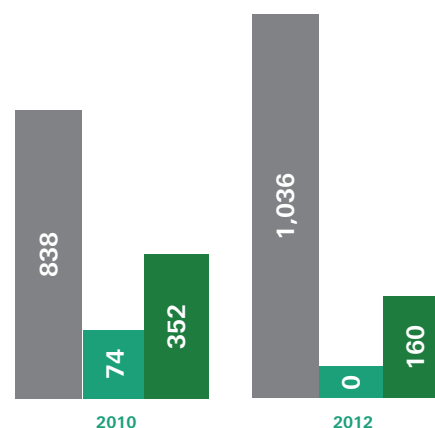
However, in certain situation such as the one occurred at Panjang factory, Bandar Lampung, we encountered a different opinion with the labour union related to our industrial relationship. We have settled the dispute in May 2012. [\[HR5\]](#)

Nestlé's appreciation and acknowledgement of the labor union and its rights were manifested in the Collective Labour Agreement (CLA). In line with the prevailing regulations, the existing CLA has been registered at the office of the Minisry of Manpower and Transmigration. [\[HR5\]](#)

Nestlé's appreciation and acknowledgement of the labor union and its rights were manifested in the CLA. In line with the prevailing

regulations, the existing CLA has been registered at the office of the Minisry of Manpower and Transmigration. [\[LA4\]](#)

Total Number of Employees Joining Labor Unions [\[LA4\]](#)



- Serikat Buruh Nestlé Indonesia (SBNI)
- Forum Komunikasi Buruh Nestlé Indonesia (FKBNI)
- Non Unionized Employee

Note: In 2012, FKBNI Panjang and SBNI had merged

Career Development

The achievement of positive growth and sustained performance in the Company would not be possible without our talented and skilled workforce. Therefore, we are committed to undertake continuous learning and development of our people. We provide opportunity to our employees to develop their skills both through the jobs as well as training.

We also provide equal opportunity to each employee to develop his/her career without any discrimination related to gender, age, ethnic, religion, race and other type of discrimination. This has averted us from any filing of charge or complaint by our employees related to discriminative practice in the workplace. [\[HR4\]](#)

Total Number of Employees with Performance Assessment [\[LA12\]](#)



Other consideration for career development is the competency of each employee. We continuously conduct various training for our employees to improve their competencies. In 2012, each employee received an average training of 23 hours and 27 minutes. The number increased due to the socialization of Nestlé Continuous Excellence program and this has not include on the job training. [\[LA10\]](#)

Average Training Hours [\[LA10\]](#)

Position	2012		
	Number of Participants	Training Hours	Average Training Hours per Employee
Manager level and above	189	8,628	45.65
Executive – Senior Executive	304	8,542	28.10
Supervisor – Senior Supervisor	452	15,117	33.45
Operator	930	11,673	12.55
Total	1,875	43,961	23.45

In line with the Nestlé Corporate Business Principles, Nestlé fully respects and abides by the universal values on human rights. Although we have not yet conducted specific training on human rights, but all Nestlé employees must adhere the regulation related to human rights stated in the Nestlé Corporate Business Principles, and they are able to regularly access all principles and regulations either online or through the document. [\[HR3\]](#) [\[HR8\]](#)

Pension Fund

In line with the prevailing regulation and as an effort to assist employees in preparing for their retirement, we enroll all employees into the pension program integrated with Jaminan Sosial Tenaga Kerja (Jamsostek) or Manpower Social Security in the form of Jaminan Hari Tua (JHT) or Retirement Account, and other pension fund program provided managed by an insurance company. [\[EC3\]](#)

23'27"

average training hours per employee

Besides the company pension fund program, for employees who are approaching their retirement age of 55 years old, Nestlé provides a pre-retirement program “New Beginning”, which is intended to prepare employees in entering retirement. The “New Beginning” program is a seminar with topics on psychology, entrepreneurship, finance and investment. During 2011 and 2012, there were 44 employees and 45 employees retiring from the Company, respectively. [\[LA11\]](#)

Work Safety and Health

Safety and Health at work is one of our values and principles which form the foundation of all we do, including all activities in our value chains to minimize injury and illness. Work safety and health measure is also stipulated in the collective labour agreement (CLA). [\[LA9\]](#)

We have the Safety, Health and Environment (SHE) team at each factory, sales office, distribution centre and head office. The SHE team includes employee representatives who are directly involved in the monitoring of SHE compliance, including to provide input/advice for improvement of SHE implementation. Until the end of the reporting period, there are 187 employees or 6% Nestlé permanent employees registered as SHE team members. [\[LA6\]](#)

SHE Training [LA7]

Activities	Number of Participants
Safety and health training	2,500
Training on safe driving	200
Leadership training on safety and health	120

The commitment in implementing SHE allows the company to reduce the number of occupational accident and to avoid lost time.

Lost Time due to Occupational Accident [LA7]

Description	Employee and Contractor		
	2010	2011	2012
Lost time injury (per million working hours)	0.5	0.33	0
Injury rate (per million working hours)	1	1	0.69

Injury rate: Type of accident causes injury





Profile and Corporate Governance

* Nestlé Profile: <http://www.nestle.co.id/ina/tentangnestle> & <http://www.nestle.co.id/ina/tentangnestle/sejarahnestleindonesia/home>

PT Nestlé Indonesia (hereinafter referred to as “Nestlé”) is a subsidiary of Nestlé S.A., the world’s leading nutrition, health and wellness company, having its headquarter in Vevey, Switzerland. Nestlé is a private company based in Jakarta, and it does not have any branch nor operation outside Indonesia. [2.4] [2.5] [2.6]

Until the end of 2012, we have three factories and three distribution centers (DC): [2.3]

- 1 Factory in Kejayan, Pasuruan regency, East Java
- 2 Factory in Panjang, Bandar Lampung City, Lampung
- 3 Factory in Cikupa, Tangerang regency, West Java
- 4 DC Gempol in Pasuruan regency, East Java
- 5 DC Cikarang in Bekasi regency, West Java
- 6 DC Medan, North Sumatera

In 2011 the Company has started the construction of the fourth factory at Karawang regency, West Java. [2.9]

New Product [FP7]

- Year 2011: DANCOW Calcium Plus and NESFRUTA
- Year 2012: Nestlé CRUNCH, MOM & ME, DANCOW Actigo UHT

Awards and Certifications [2.10]

December 2011

The 7th Indonesia Sustainability Reporting Award (ISRA) by the National Centre for Sustainable Reporting (NCSR).

- The 1st Runner-up of Best Sustainability Report Category Group B (Various Industry, Consumer Goods, Property and Real Estate Companies).
- Commendation for First-time Sustainability Reporting

February 2012

The company supported MP3EI (Masterplan for Accelerating and Expanding Indonesia Economic Growth) program and Jakarta Food Security Summit 2012 initiated by the Coordinating Ministry of Economy of Republic of Indonesia

- Recently set-up Karawang factory is in line with MP3EI

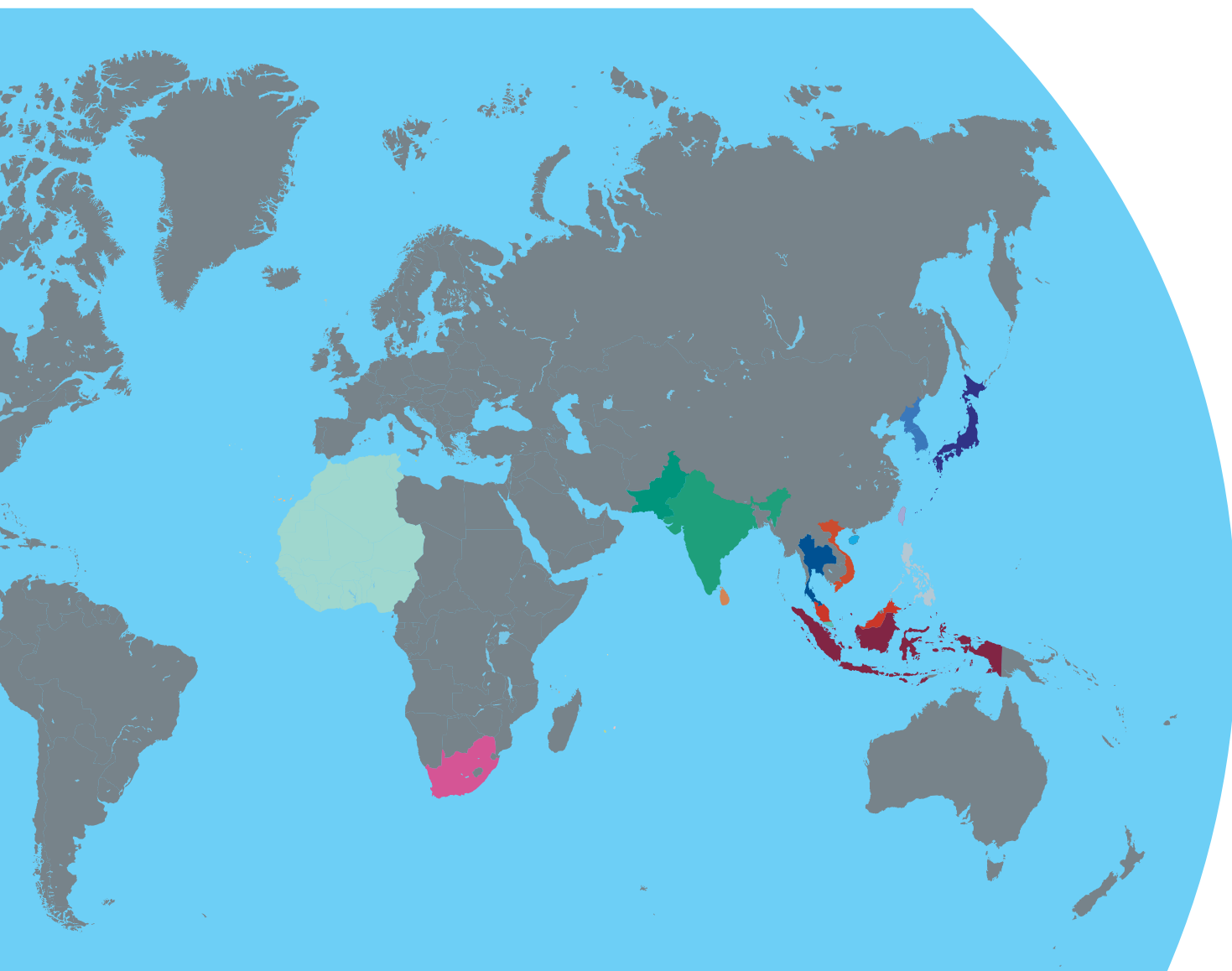
May 2012

- The Indonesia Sustainable Business Awards 2012 held by Kamar Dagang dan Industri (Kadin) or Indonesian Chamber of Commerce and Industry in collaboration with Global Initiatives and Climate Business.
- Industry Champion for Food and Beverage Sector and Best Supply Chain Management awards



Market Outreach [2.7]

- Indonesia
- Hongkong
- India
- Japan
- South Korea
- Srilanka
- Malaysia
- Philipines
- Pakistan
- Singapore
- Thailand
- Taiwan
- Vietnam
- South Africa
- Central Africa
- West Africa



Green PROPER

"Hijau" or Green rating for 2009–2010 Program Penilaian Peringkat Kinerja Perusahaan (PROPER) or Company Performance Evaluation Report Program by the Indonesian Ministry of Environment awarded for Nestlé factory in Kejayan, Pasuruan, East Java.

Halal Assurance System

Attained certification on Sistem Jaminan Halal (or Halal Assurance System) Category "A" from Lembaga Pengkajian Pangan, Obat-obatan dan Kosmetika Majelis Ulama Indonesia (LPPOM MUI) or Indonesian Ulama Council's Food, Medicine and Cosmetics Analysis Institution. [\[4.12\]](#)

ISO Certification: [\[4.12\]](#) [\[FP5\]](#)

- ISO 9001 (Quality Management Systems)
- ISO 14001 (Environment Management Systems)
- OHSAS 18001 (Health, Safety and Environment Management Systems)
- Food Safety System Certification 22000 adhere to ISO 22000 and PAS 220 (Food Security Management Systems)

Governance Structure and Organization

In compliance with Law No. 40 of 2007 on Limited Liability Company, the company organizational structure for governance is the two boards system consisting of the Board of Commissioners and the Board of Directors. There is no member of the Board of Commissioners who serves on the Board of Directors, and vice versa. [\[4.1\]](#) [\[4.2\]](#) [\[4.3\]](#)

The Board of Commissioners does not have any independent Commissioner nor supporting

Board of Commissioners

Nandu Nandkishore
President Commissioner

Low Kim Fui
Commissioner

Jean Daniel Luthi
Commissioner

Pierre Streit
Commissioner

Frederik Bernard George Tumbuan
Commissioner

James Daniel Tabalujan
Commissioner

Ramos Sihombing
Commissioner

committee, neither on permanent nor on ad-hoc basis with particular responsibilities. The membership of the Board of Commissioners is stipulated in the articles of incorporation of the company and appointed by the General Meeting of Shareholders. [\[4.1\]](#) [\[4.7\]](#)

The members of the Board of Directors are appointed in line with Law No. 40 year 2007 on Limited Liability Company and the company's articles of incorporation. In this respect, shareholders of the company will nominate the candidates of the Board of Directors, for the approval and appointment by the General Meeting of Shareholders. The process is organized by the Legal department. The requirement to become a member of the Board of Directors are set out in article 93 of the Law No. 40 year 2007 on Limited Liability Company. [\[4.7\]](#) [\[HR4\]](#) To identify or to manage the company

Board of Directors

M. Arshad Chaudhry
President Director

Thomas Keller
Director

Gideon Stefanus DuPlessis
Director

Riauadi Wisman Djaja
Director

Benyamin Wijaya
Director

Joselito Junior Aguilin Avancena
Director

Debora R. Tjandrakusuma
Director

reputation and CSV programs appropriately, Nestlé regularly conducts Corporate Equity Monitor (CEM), yearly consumers survey and evaluation of CSV programs. CEM and consumers survey results become the benchmark of our efforts in building corporate reputation and evaluate the programs' benefits to society. These activities are part of the function, tasks and authority of the Board of Directors. Therefore, the Board of Directors' performance is not only evaluated merely based on economic performance, but also based on social and environmental performances. [\[4.9\]](#) [\[4.10\]](#)

On regular basis the Board of Commissioners and the Board of Directors meet with shareholders either in general or extraordinary meeting of shareholders. In these meetings, the shareholders can give recommendation or necessary feedback both to the Board of

Commissioners or the Board of Directors. [4.4]

On regular basis the Board of Commissioners and the Board of Directors meet in the Board of Commissioners meetings. In these meetings, the Board of Commissioners receives an explanation about the condition, situation and operation of the company, and the Board of Commissioners can give their opinion, recommendation and advice to the Board of Directors. [4.4]

Given our way of doing business, which emphasize on creating shared value, the performance of the Board of Directors is not merely appraised by the achievement of financial targets, but also on the overall aspects that include compliance, sustainability and creating shared value. In line with the stipulations of the Law No. 40 year 2007 on Limited Liability Company and the company's articles of incorporation, the remuneration of all members of the Board of Commissioners and the Board of Directors is decided by the general meeting of shareholders. [4.5]

Conflict of Interest and Corruption

To avoid conflict of interest, we have Nestlé Corporate Business Principles (NCBP) and Code of Business Conduct (CoBC) that explain how to implement minimum standard of compliance practice in details. Thanks to the compliance by the management and employee of Nestlé, there was no conflict of interest identified during 2011 and 2012. [4.6]

* Further information on NCBP: <http://www.nestle.co.id/ina/tentangnestle/corporatebusinessprinciple>

Through internal control, Nestlé ensures that business processes are

conducted ethically in line with NCBP and CoBC, and we did not identify any indication of corruption practice throughout entire business units. Therefore, the company had not been inflicted with any legal action related to corruption by any parties. [SO2] [SO4]

Each supplier is obliged to adhere to the Nestlé Supplier Code attached to each contract before becoming our supplier. Suppliers for certain raw or packaging materials are required to undergo a responsible sourcing audit which is regularly conducted by a third party. [HR2]

Fair Business Competition [SO3] [SO7]

Nestlé believes in the importance of free competition and all employees must adhere to the anti trust regulations. All of our employees, especially those involved in marketing, sales and purchasing or who are in regular contact with competitors, must ensure that they are familiar with the applicable competition laws, and regular training on anti trust are provided for them. During the reporting period, the company has not been challenged by any legal charge due to unfair business practice

Political Activity [SO6] [SO8]

Election laws in many jurisdictions generally prohibit political contributions by corporations to political parties or candidates. In relation to general election, our policy is to be neutral on any political activity, and Nestlé has adopted a policy to not make any political contributions to political parties or candidates.

Risk Management [4.11]

In managing risk and its impact to the company's operation, Nestlé has its own crisis management procedure and business continuity plans. These

have enabled us to ensure the safety of our people and our assets. During the reporting period, there was no disaster or significant risk occurred.

Stakeholders Engagement [4.14] [4.15] [4.16] [4.17]

We understand the importance of building and maintaining good relationships with all our stakeholders along our value chains and also community leaders, academia, professionals, social institutions, business associations, central and regional governments, media and the society at large. We have conducted a survey to understand how our internal and external stakeholders rate our company reputation. Our internal stakeholders in the survey were our employees, and stakeholders were represented by non-profit organizations. The survey conducted by the Polling Center covers products, work environment, economic performance, and social responsibility. Based on the survey, Nestlé's internal stakeholders rate Nestlé's reputation at 8.2 and external stakeholders rate us at 7.3. These figures can be categorized as good with a maximum point of 10.

The company has mapped stakeholders who directly influence and are influenced by Nestlé's presence. Our stakeholders include shareholder, employees, dairy farmers, coffee and cocoa farmers, cooperatives, distributors, shop owners, consumers, academia, professionals, non-profit organisations, governments, associations and media.

We are also guided by various international conventions which have also become our guidelines in doing business, and the compliance with these is also included in the audit system. [4.12]

International Conventions [\[4.12\]](#)

We are also guided by various international conventions which have also become our guidelines in doing business, and the compliance with these is also included in the audit system: [\[4.12\]](#)

- UN Global Compact
- WHO International Code of Breast-milk Substitutes.
- International Labour Organization (ILO) Conventions
- Tripartite Declaration of Principles on Multinational Enterprises and Social Policy.
- OECD Guidelines for Multinational Enterprises.
- UN Global Compact CEO Water Mandate.

Association and Organization [\[4.13\]](#)

- Asosiasi Industri Pengolahan Susu (Milk Processing Industry Association)
- Asosiasi Industri Minuman Ringan (Indonesia Soft Drinks Industry Association)
- Asosiasi Pengusaha Indonesia (Association of Indonesian Entrepreneurs)
- Asosiasi Perusahaan Produk Bernutrisi untuk Ibu dan Anak/ APPNIA (Association of Mother and Infant Nutrition Manufacturers)
- Gabungan Pengusaha Makanan dan Minuman Indonesia (Association of Indonesian Food and Beverage Entrepreneurs)
- Asosiasi Eksportir Kopi Indonesia (Association of Indonesian Coffee Exporters)
- International Society of Sustainability Professional (ISSP) Indonesia
- Partnership for Indonesia Sustainable Agriculture (PISAgro)
- Kamar Dagang dan Industri / KADIN (Indonesian Chamber of Commerce and Industry)



UNGC Initiatives [3.12]

UNGC Principles	Initiative in this report	Relevant section	GRI index
Human Right	Collective agreement covers equal benefits, rights for associate, parental leaves, and working safety	GC HR1: Respect to international proclaimed human right	EC3, EC5, EC7, LA3, LA4, LA5, LA7, LA10, LA11,LA14, LA15
	Audit for responsible sourcing to imply supplier code	GC HR2: Preventing human rights abuse	HR2
Labor	Accredited worker unions	GC LA3: Freedom of association and collective bargaining	LA4, LA6
	Applying database for agriculture recruitment	GC LA4: Elimination of forced labor	HR4, HR6, HR7
	Endorsing supplier code in supplier agreement	GC LA5: Abolition of child labor GC LA6: Elimination of discrimination	

UNGC Principles	Initiative in this report	Relevant section	GRI index
Environment	Empowering eco-friendly and efficiency production	GC EN7: Support for environmental challenge	EN5, EN10, EN18, EN22, LA8, LA10, SO1
	Empowering water access for surrounding	GC EN8: Promote environmental responsibility	
	Sharing awareness for managing in respect to health, wellness and environment	GC EN9: Encourage the development for environmental friendly	
Anti-corruption	E-learning training program for professional ethics	GC AC10: Preventing Corruption	SO2, SO3, SO4
	Quality product mechanism to ensure edible product, including nutrition allowance and guidance for beneficiaries		
	Endorsing the principle of Nestlé Corporate Business Principles (NCBP) and Code of Business Conduct (CoBC)		



INDEPENDENT ASSURANCE OPINION STATEMENT

CREATING SHARED VALUE REPORT 2011 – 2012 PT NESTLÉ INDONESIA

The British Standards Institution is independent to PT NESTLÉ Indonesia (hereafter referred to as NESTLÉ in this statement) and has no financial interest in the operation of NESTLÉ other than for the assessment and assurance of this report.

This independent assurance opinion statement has been prepared for NESTLÉ only for the purposes of assuring its statements relating to its sustainability, more particularly described in the Scope, below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by NESTLÉ. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to NESTLÉ only.

Scope

The scope of engagement agreed upon with NESTLÉ includes the followings:

1. The assurance covers the whole report and focus on systems and activities during the 2011-2012 calendar year on the PT Nestlé Indonesia headquarter and derived from 3 (three) manufacturing plants: Klaten, Pasuruan, East Java; Palembang, Lampung; and Ciuruk, Tangerang, Banten. However, the report also accommodates limited information from distribution center (DC) and new Karawang plant in West Java.

The evaluation of the nature and extent of the NESTLÉ's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English only.

Opinion Statement

We conclude that the CREATING SHARED VALUE REPORT 2011 – 2012 PT NESTLÉ INDONESIA provides a fair view of the NESTLÉ CSV programmes and performances during 2011-2012. We believe that the 2011-2012 economic, social and environmental performance indicators are fairly represented. The CSV performance indicators disclosed in the report demonstrate NESTLÉ's efforts recognized by its stakeholders.

Our work was carried out by a team of SRA report assessors in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that NESTLÉ's description of their approach to AA1000 Assurance Standard and their self-declaration of compliance with the GRI guidelines were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a top-level review of issues raised by external parties that could be relevant to NESTLÉ's policies to provide a check on the appropriateness of statements made in the report,
- discussion with managers and staffs on NESTLÉ's approach to stakeholder engagement. However, we had no direct contact with external stakeholders,
- 7 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out,
- review of key organisational developments.

- review of the findings of internal audits,
- review of supporting evidence for claims made in the reports,
- an assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, materiality and responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G3.1 guidelines is set out below:

Inclusivity

This report has reflected a fact that NESTLÉ is seeking the engagement of its stakeholders continuously. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the NESTLÉ's inclusivity issues, however, the future report should be further enhanced by the following areas:

- Encouraging continuously watch stakeholder's concerns and align with corporate core strategy to develop sustainable performance.

Materiality

NESTLÉ publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion the report covers the NESTLÉ's material issues, however, the future report should be further enhanced by the following areas:

- To conduct official materiality test including proper opinions from current Forum Discussion Group as the reference for materiality testing factors.

Responsiveness

NESTLÉ has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for NESTLÉ is developed and provides the opportunity to further enhance NESTLÉ's responsiveness to stakeholder concerns. Issues that stakeholder concern about have been responded timely. In our professional opinion the report covers the NESTLÉ's responsiveness issues, however, the future report should be further enhanced by the following areas:

- Encouraging to work towards a type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.

GRI-reporting

Based on our review, we confirm that social responsibility and sustainable development indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self declaration covers the NESTLÉ's social responsibility and sustainability issues. As in this biannual report, extended indicators are fairly disclosed.

Assurance level

The moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) in our review, as defined by the scope and methodology described in this statement.

Responsibility

This CSV report is the responsibility of the NESTLÉ's CEO as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead Auditors and Environmental Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO45004 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Yuan Handiyana, Managing Director of BSI Indonesia

16 October 2013

Indonesian Headquarters: Plosoe Balaok 2, 17th-Floor, Unit 5, 3b, Jend. Gatot Subroto Km-71-73, Komplek Balaok Plosoe, Jakarta 12870

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AA1000
Assurance Provider
001-108

Index GRI 3.1 [3.12]

Description	Indicator	Pages
STRATEGY AND ANALYSIS		
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ORGANIZATIONAL PROFILE		
Name of the organization	2.1	62, 81
Brands and products	2.2	62
Organizational structure	2.3	62
Location of head office	2.4	62
Total countries of operation	2.5	62
Ownership and legal form	2.6	62
Markets served	2.7	63
Organizational scale	2.8	A
Significant changes	2.9	62
Awards & certifications	2.10	35, 62
REPORT PARAMETERS		
Reporting period	3.1	6
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Reporting cycle	3.3	6
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Defining report content	3.5	7, 11
Boundary of the report	3.6	7
Scope or boundary	3.7	7
Basis for reporting	3.8	7
Data measurement techniques	3.9	7
Restatement	3.10	9
Significant changes	3.11	9
GRI Table	3.12	72
External assurance	3.113	72

Description	Indicator	Pages
GOVERNANCE, COMMITMENT AND STAKEHOLDER ENGAGEMENTS		
GOVERNANCE		
Governance structure	4.1	64
Indicate whether the Chair of the highest governance body is also an executive officer	4.2	64
Number of members in the highest governance body that are independent	4.3	64
Mechanisms to provide recommendations to the highest governance body	4.4	64
Compensation for members of the highest governance body	4.5	65
Processes to ensure conflicts of interest are avoided	4.6	65
Process for determining the composition of the members of the highest governance body	4.7	64
Mission or values, and codes of conduct	4.8	12
Procedures for overseeing the management of economic, environmental, and social performance	4.9	64
Processes for evaluating the highest governance body's own performance	4.10	64
COMMITMENT TO EXTERNAL INITIATIVES		
Precautionary principle approach	4.11	28, 65
Externally developed principles, charters, or other initiatives to which the organization subscribes or endorses	4.12	64, 66
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Stakeholder	4.14	65
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Key topics raised through stakeholder engagement	4.17	65
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ECONOMIC PERFORMANCE		
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Coverage of the organization's defined benefit plan obligations	EC3	59, 68
MARKET PRESENCE		
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Description	Indicator	Pages
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ENVIRONMENT		
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ENERGY		
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Indirect energy consumption	EN4	A, 30
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Initiatives to reduce indirect energy consumption	EN7	30, 69
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Water sources affected	EN9	21, 69
Total volume of water recycled or reused	EN10	B, 19, 69
BIODIVERSITY		
Location and size of land adjacent to protected areas	EN11	32
Significant impacts on biodiversity	EN12	32
Habitats protected or restored	EN13	24
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Other indirect greenhouse gas emissions	EN17	29
Initiatives to reduce greenhouse gas emissions	EN18	28, 69
Emissions of ozone-depleting substances	EN19	29
NO ₂ , SO ₂ , and other significant air emissions	EN20	29
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Description	Indicator	Pages
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COMPLIANCE		
Sanctions for non-compliance with environmental laws	EN28	35
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Environmental impacts of transporting products	EN29	29
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EMPLOYMENT		
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Percentage of employees receiving regular performance reviews	LA12	59
DIVERSITY AND EQUAL OPPORTUNITY		
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EQUAL REMUNERATION FOR MEN AND WOMEN		
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Description	Indicator	Pages
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Anticompetitive behavior, anti-trust, and monopoly practices	SO7	65
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Description	Indicator	Pages
PRODUCT RESPONSIBILITY		
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Marketing communications	PR6	51
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CUSTOMER PRIVACY		
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Glossary

A

APPNIA

Asosiasi Perusahaan Produk Bernutrisi untuk Ibu dan Anak

APSAI

Asosiasi Perusahaan Sayang Anak Indonesia

B

BATITA

(Anak) Bawah Tiga Tahun (children under three years old)

BSI

British Standard Institution

C

CEM

Corporate Equity Monitor

CITES

Convention on International Trade in Endangered Species of Wild Fauna and Flora

CLA

Collective Labour Agreement

COA

Certificate of Analysis

CoBC

Code of Business Conduct

COC

Certificate of Compliance

Co-generation plant

Jointly power supply

CSR

Corporate Social Responsibility

CSV

Creating Shared Value

D

DC

Distribution Center

E

ETS

Energy Target Setting

F

FKBNIP

Forum Keluarga Buruh Nestlé Indonesia Panjang

G

GHG

Green House Gas

GRI

Global Reporting Initiative

H

HFO

Heavy Fuel Oil

HIVOS

Humanist Institute for Development Cooperation

HSFO

High Sulfur Fuel Oil

I

ICCRI

Indonesian Coffee and Cocoa Research Institute

IGCN

Indonesia Global Compact Network

ILO

International Labour Organization

ISRA

Indonesia Sustainability Reporting Award

ISSP

International Society of Sustainability Professional

IUCN

International Union for the Conservation of Nature and Natural Resources

IWMWG

Indonesia Water Mandate Working Group

J

Jamsostek

Jaminan Sosial Tenaga Kerja/ Social security

JHT

Jaminan Hari Tua

J110K

Jakarta International 10K

K

KADIN

Kamar Dagang dan Industri / Chambers of commerce and industry

KPIS

Key Performance Indicators

L

LFO

Light Fuel Oil

LPPOM MUI

Lembaga Pengkajian Pangan, Obat-obatan dan Kosmetika Majelis Ulama Indonesia

LSM

Lembaga Swadaya

Masyarakat/Non-governmental organizations

M

MDGs

Millenium Development Goals

MP3EI

Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia

N

NCA

Nutrition Competitive Advantage

NCPB

The Nestlé Corporate Business Principles

NCE

Nestlé Continuous Excellent

NCS

Nestlé Consumer Services

NCSR

National Centre for Sustainable Reporting

NF

Nutritional Foundation

NHK

Nestlé Healthy Kids

NNI

Nestlé Nutrition Institute

P

PBSI

Indonesian Badminton Association

PDGMI

Association of Indonesian Medical Nutrition Doctors

PISAgro

Partnership for Indonesia's Sustainable Agriculture

PLN

State owned electricity company

PROPER

Company Performance Evaluation Report Program

S

SAIN

Sustainable Agriculture Initiative Nestlé

SBNI

Serikat Buruh Nestlé Indonesia/ Labour Union of Nestlé Indonesia

SHÉ

Safety, Health and Environment

T

TAT

Tumbuh-Aktif-Tanggap

TNBBS

Taman Nasional Bukit Barisan Selatan

U

UNDP

United Nations Development Programme

UNGC

United Nations Global Compact

USAID

United States Agency for International Development

W

WHO

World Health Organization

WWF

World Wildlife Fund

WWTP

Waste Water Treatment Plant

Feedback Form

We would appreciate your feedback after reading this CSV report by sending the form through email, fax or mail.

Your Profile

Name (if you wish)

Institution/Company

Email

Phone/Mobile

Stakeholder Group

- ☐ Government
☐ NGO
☐ Corporate
☐ Community
☐ Media
☐ Academician
☐ Others, please state:

Please choose the most appropriate answer

This report is useful to you:

- ☐ Strongly disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

This report describes the Company's performance in sustainability development:

- ☐ Strongly disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

This report is easy to understand:

- ☐ Strongly disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

This report is interesting:

- ☐ Strongly disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

This report increases your trust in the Company's sustainability:

- ☐ Strongly disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

Please answer questions below

Which part of this report is most useful to you?

Which part of this report is less useful to you?

Which part of this report is the most interesting to you?

Which part of this report is less interesting to you?

Please give us your advice/suggestions/comments about this report?

Thank you for your participation

Kindly send this form to:

PT Nestlé Indonesia

[2.1] [3.4]

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