



Nestlé

Good Food, Good Life

Creating Shared Value at Nestlé

About our reporting

Reporting performance

Nutrition

Water and environmental sustainability

Rural development

Our people

Nestlé Creating Shared Value Update 2010

 Visit the Creating Shared Value site at www.nestle.com/CSV





Contents

Nestlé Creating Shared Value Update 2010

Creating Shared Value at Nestlé	2
A message from our Chairman and CEO	4
2010 overview	5
Material issues	8
Challenges	11
Governance	15
Creating Shared Value Advisory Board	16
Nestlé Prize in Creating Shared Value	19
Prize winner 2010	20
Healthy Kids Programme	21
Stakeholder engagement	22
Support for global principles and goals	26
About our reporting	32
Assurance statement	34
Reporting performance	38
2010 Rural Development highlights	39
Key Performance Indicators	40
External assessments	43
Nutrition	45
Overview	45
2010 update	46
Case study	55
Water and environmental sustainability	56
Overview	56
2010 update	58
Case studies	86
Rural development	90
Our people	91
Overview	91
2010 update	93
Case studies	107
Global Reporting Initiative Index	109



Creating Shared Value at Nestlé

What is Creating Shared Value?

Creating Shared Value is the basic way we do business, which states that in order to create long-term value for shareholders, we have to create value for society. But we cannot be either environmentally sustainable or create shared value for shareholders and society if we fail to comply with our Business Principles.

This involves **compliance** with national laws and relevant conventions, as well as our own regulations, which often go beyond our legal obligations. For example, we support the Universal Declaration of Human Rights (UDHR), which stands at the basis of the UN Global Compact's Human Rights Principles, and our CEO Paul Bulcke signed the UN Global Compact [CEO Statement](#) for the 60th anniversary of the UDHR.

Our strong support for the UN Global Compact, and our detailed commitments to the Fundamental Conventions of the International Labour Organization (ILO) or other relevant instruments, are laid out in our Nestlé Corporate Business Principles and related policy documents, and their application is verified through our CARE programme and our internal Corporate Group Auditors.

Beyond that, how we do business is based on **sustainability** – ensuring that our activities preserve the environment for future generations. In line with the Brundtland Commission's definition, sustainable development to Nestlé means "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".





At the same time, Creating Shared Value goes beyond compliance and sustainability. Any business that thinks long term and follows sound business principles creates value for shareholders and for society through its activities eg. in terms of jobs for workers, taxes to support public services and economic activity in general.

But Creating Shared Value goes one step further. A company consciously identifies areas of focus, where: a) shareholders' and society's interests strongly intersect, and b) where value creation can be optimised for both. As a result, the company invests resources, both in terms of talent and capital, in those areas where the potential for joint value creation is the greatest, and seeks collaborative action with relevant stakeholders in society.

At Nestlé, we have analysed our value chain and determined that the areas of greatest potential for joint value optimisation with society are Nutrition, Water and Rural Development. These activities are core to our business strategy and vital to the welfare of the people in the countries where we operate.



A message from our Chairman and CEO

It is our firm belief that, for a company to be successful over time and create value for its shareholders, it must also create value for society. We call this "Creating Shared Value". Based on strong foundations of compliance and sustainable business practices, this is our basic way of doing business. Given the nature of our activities and our ambition to be the world's leading Nutrition, Health and Wellness Company, we have identified three areas where Nestlé can, in particular, optimise the creation of shared value: nutrition, water and rural development...

[Read the full message from our Chairman and CEO >](#)



2010 overview

Compliance with applicable laws and international conventions such as the Universal Declaration of Human Rights (see next page) and strong support for the UN Global Compact, as well as our internal standards and regulations, is the foundation of our business. Beyond compliance, our business is based on sustainability, ensuring our activities protect the environment for future generations. Yet we believe we need to go further, creating shared value for both the Company and society in areas where shareholders' and society's interests intersect. Three such areas – nutrition, water and rural development – are the focus for this strategy.

Read the full [CSV Rural Development report](#).

2010 highlights

- The launch of the *Nescafé* Plan to consolidate our sustainable coffee programmes;
- Our partnership with The Forest Trust to ensure our products do not have a deforestation footprint;
- The award of the inaugural Nestlé CSV Prize to IDE Cambodia;
- The continued roll-out of our "Healthy Kids" Global Programme;
- The distribution of our revised Nestlé Corporate Business Principles and the launch of our new Employee Relations Policy.

Overall goals

Rural development: We contribute to what we believe are the five ways to increase farmer income: increasing productivity, growing higher-value crops, using land more efficiently, gaining additional non-farm income and employment beyond farming. Our approaches involve supporting farmers through technical and financial assistance, access to markets, and investing in new factories in rural areas that create infrastructure and employment.

Water and environmental sustainability: In our operations, we strive to continuously improve our operational efficiency and environmental performance, and apply a life cycle approach to assess our own operations and those associated with the wider value chain, to produce tasty, nutritious food and beverages with the lightest environmental footprint. We aim to provide all Nestlé employees with a professional, healthy and inspiring working environment that fosters personal accomplishment and team development, and that respects diversity and equality.

Nutrition: Using science-based solutions, we seek to improve quality of life through food and diet, contributing to the health and wellbeing of consumers, including those with specific nutritional needs and those at the base of the income pyramid through products with higher nutritional value at affordable prices. We also aim to generate greater awareness, knowledge and understanding among consumers through clear, responsible communication.



Nestlé Prize in Creating Shared Value: IDE Cambodia

In May 2010, the first Nestlé Prize in Creating Shared Value was presented to International Development Enterprises (IDE) Cambodia. Since 2005, IDE Cambodia has employed franchised Farm Business Advisors to assist farmers in intensifying or expanding their production of vegetables. To date, IDE has increased the productivity among 4500 smallholder farmers in rural Cambodia, boosting their income and increasing their standard of living. The CHF 500 000 prize will help IDE to extend its reach to an additional 20 000 farmers.

Performance

The launch of the *Nescafé* Plan in 2010 will bring a CHF 500 million investment over the next decade to the coffee sector, with a focus on improving yields and smallholder farm income. We will also continue to provide support and training on farming practices to 144 926 farmers [KPI] through capacity-building programmes and access to financial assistance.

Through an ongoing commitment to operational environmental efficiency measures and a move towards renewable energy, we have reduced our direct GHG emissions by 15% to 4.0 million tonnes CO₂eq [KPI] and reduced energy consumption by almost 3% since 2000 to 88.6 PJ [KPI]. In the same period we reduced our total water withdrawal by 32% to 144 million m³ [KPI] while increasing our production volume by 73%. We continue to focus on packaging optimisation, are producing less waste at our factories and two additional of our factories have achieved "zero waste to landfill" in 2010, in the UK. In recognition of our improved performance, Nestlé was ranked second in the consumer goods sector in the Carbon Disclosure Leadership (CDP) Index 2010, and also contributed to the CDP's Water Disclosure Project.

While nutritional status has improved worldwide over the past 50 years, under-nutrition and obesity still require multi-stakeholder solutions. We believe that education is the best tool for ensuring that children understand the value of nutrition and healthy lifestyles. Building on many Nestlé-sponsored education programmes, we are implementing our Healthy Kids Global Programme by developing partnerships in all countries where we have operations by the end of 2011. To provide consumers at or near the base of the income pyramid with greater access to affordable food products, we offer 4860 Popularly Positioned Products (PPPs) [KPI] at an affordable cost and appropriate serving size through a range of locally adapted distribution methods. Many PPPs are also fortified with key micronutrients to address deficiencies in certain markets.

Despite the global financial crisis, we have continued to offer our workforce comprehensive training and development, and opportunities for career progression. Our health and safety performance continued to improve, with further reductions in Lost-Time Injury Frequency (1.8) [KPI] and Total Recordable Injury (4.2) [KPI] rates. Relations between employees, management and trade unions are generally strong.



The *Nescafé* Plan

In August 2010, we launched the *Nescafé* Plan, bringing all our creating shared value and good farming practices under one “umbrella”. This global initiative will help us to optimise our coffee supply chain and reach our coffee farming, production and consumption targets. Under the Plan, we will, among other things, invest CHF 500 million in coffee projects by 2020, distribute 220 million high-yield, disease-resistant coffee plantlets, train 30 000 farmers and support social projects in the communities from which we source coffee.

Material issues

For the first Creating Shared Value Report, published in 2008, we worked with SustainAbility, an independent think tank and strategy consultancy, to undertake a systematic process to prioritise the issues deemed most critical to the Company. This drew on the opinions of investors, civil society groups and the media, and assessed them with Nestlé executives. We reviewed this prioritisation for the 2009 report, concluding that external interest had increased for all issues and that climate change had become a major priority alongside water, cutting across each stage of the value chain.

For the 2010 report, we again asked SustainAbility to conduct a qualitative review of this prioritisation. To do this, SustainAbility looked at major global developments, NGO campaigns and industry activity over the last year. Given Nestlé's commitment to long-term leadership, SustainAbility also commented on how Nestlé's material issues are expected to change in the medium term and how industry leadership is evolving.

As with last year, external interest continues to heighten for all issues – particularly with respect to Nestlé's impacts on its value chain (consumers, producers and suppliers) and the broader natural and social environment in which the Company operates (environment and community). Environment, for example, has once again become a major priority due to increasing focus on the societal and business value of ecosystem services and biodiversity.

A key point noted this year is that global food security is taking centre stage as an overarching theme, requiring Nestlé to take an integrated approach to managing its CSV focus areas (nutrition, rural development and water) as well as certain material issues (climate, agriculture, supply chain and community impacts). Furthermore, while security of supply will remain important, distribution and availability will also matter, particularly in urban areas due to an increasing focus on food waste and fair access to nutritious food.

Other important themes include the following:

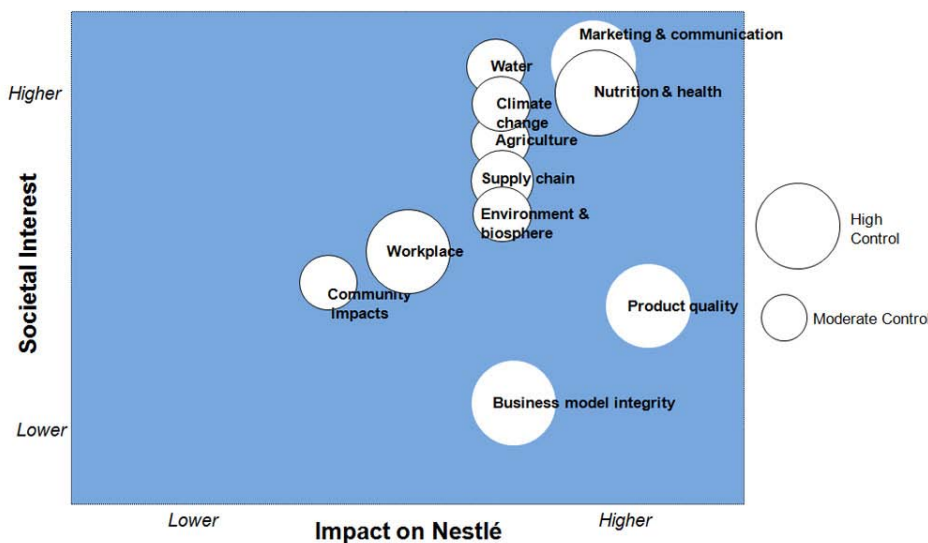
- **Nutrition and health and marketing and communications:** Pressure continues from government and NGOs on the food and beverage industry to reformulate products to make them healthier in response to the obesity epidemic; meanwhile, global organisations are looking to the industry to partner on addressing malnutrition. In 2009/10, making trustworthy claims and marketing responsibly remained a challenge for the industry overall, with Nestlé being no exception. Food and beverage industry leadership has become defined by transforming product portfolios towards better health outcomes and the use of marketing and branding to positively influence consumer values and behaviour, and to enhance and edit choices, rather than relying solely on consumers to make decisions based on labels.



- Water, climate change, agriculture and supply chain:** Water and climate change continue to rise in importance as linked regional and global issues that also relate strongly to public health and agriculture. Agriculture is increasingly being viewed through a value lens (“what contributions can agriculture make to improved health/livelihoods/climate/water?”) as well as a risk lens (“how do we manage environmental and labour risks?”). Nonetheless, in 2009/10 palm oil, child labour in the cocoa industry and bottled water remained high-profile reputational risks for Nestlé.
- Of the remaining issues, **environment, community impacts** and **workplace** have all risen in relative importance as companies are increasingly expected to address issues outside their direct footprint and immediate value chain.
 - Although **environment** as a general issue has previously taken a back seat to climate and water, focus is returning here due to the growing emphasis on the social and business value of biodiversity and ecosystem services, ongoing attention to toxics such as bisphenol-A (BPA) in manufacturing, and the need to take a holistic, multi-issue approach to sustainability. As a result, we have renamed this issue “**environment and biosphere**”.
 - **Community impacts** beyond agriculture and supply chain are rising in societal interest as we approach the 2015 deadline for the Millennium Development Goals.
 - Finally, there is a renewed interest in **workplace** with a focus on employment in times of economic downturn, and how to engage employees behind the sustainability strategy. Basic rights remain crucial, and in 2009/10, the right to collective bargaining again proved a high-profile issue for Nestlé.

Nestlé Materiality 2010

SustainAbility





Our focus areas



Nestlé is committed to reporting its performance openly; reflecting those areas with a significant current or potential impact on the Company. These include areas that are of significant concern to stakeholders over which we have a reasonable degree of control.

Given the nature of our business, we have identified nutrition, water and rural development as key global issues of concern to society. These three areas are core to our business strategy and competitive advantage, to driving growth in shareholder value and to meeting the needs of society, and were discussed at the [first Creating Shared Value Global Forum](#) in New York, in April 2009. Participants agreed on the urgency of the situation, in particular with regard to water and to the likelihood of a new food crisis in the coming years, and identified a range of causes, including under-investment in water systems, a lack of innovation, trade-distorting agricultural subsidies and ill-conceived government education programmes.

No one sector can be expected to solve those global issues. They require the close cooperation of business, local government, international institutions and NGOs, all of whom need a take a long-term view to make the necessary changes. Remedies are no longer about ideologies but practicalities, a holistic and integrated approach to addressing the issues and measuring results.



Challenges

Operating sustainably poses challenges for businesses – and indeed, for human society – almost by definition. It is fundamentally about creating long-term and often intangible value, and addressing highly interconnected issues outside what any one organisation can directly control. So a global business such as Nestlé faces several challenges on the way to Creating Shared Value. These include creating value for business and value for society, quantifying social and environmental impacts, and influencing the value chain in a positive manner.

The double burden of malnutrition

While the number of calories available per capita has increased in most parts of the world over the last 50 years, new diet-related problems have emerged in both developing and developed countries, from deficiencies in essential nutrients to the global obesity epidemic. Both contribute to increasing rates of chronic disease, reduced productivity and higher healthcare costs. Causes range from simple lack of access and availability to evolving lifestyles and consumer preferences.

Nestlé has developed its comprehensive 60/40+ strategy to continually improve the taste and nutritional performance of its portfolio. It has made significant investments in science-based solutions to key nutritional issues and is focusing on consumer education as a key part of its nutritional strategy.

Read more about [the double burden of malnutrition](#)

Meeting the nutrition needs of low-income consumers

Rises in staple food prices, poor availability and lack of insight into the specific needs of low-income consumers all contribute to hunger and malnutrition among low-income populations.

Nestlé's Popularly Positioned Products (PPP) are designed to offer nutritious and relevant products at affordable prices.

Read more about [meeting the nutritional needs of low-income consumers](#)

Advertising to children

Children are relatively inexperienced in interpreting advertising messages and making informed consumption decisions. As a result, marketers must be sensitive to how and what they market to children.

Nestlé has joined 13 voluntary industry initiatives on responsible food and beverages advertising at a national and regional level, all of which are subject to independent, third-party compliance monitoring. Eleven food manufacturers (including Nestlé) have committed to voluntarily restrict their advertising to under 12s in print, on television and online. The International Food and Beverage Alliance (IFBA) – of which Nestlé is the co-chair – also assesses compliance against our stated policies on marketing and advertising to children.

Read more about [advertising to children](#)



Infant formula marketing

Breast milk is the best and ideal food for healthy growth and development of babies. The World Health Organization (WHO) recommends exclusive breastfeeding for the first six months of life and Nestlé fully supports this recommendation. However, when a baby is not, or cannot be, given breast-milk, infant formula is the only product recognised to be a suitable breast-milk substitute by the international food standards setting body, Codex Alimentarius Commission. The WHO International Code of Marketing of Breast-milk Substitutes makes recommendations on appropriate marketing and distribution practices in relation to breast-milk substitutes.

Nestlé takes its responsibility to sell and market infant formula products in a responsible manner very seriously and has developed a unique programme to ensure compliance with the WHO Code, including a WHO Code Management System, internal and external audits and an Internal Ombudsman System. In addition, all personnel involved in the marketing of breast-milk substitutes are trained and regularly tested.

Read more about [infant formula marketing](#)

The global water crisis

The quality and availability of fresh water is an increasing challenge worldwide. Both global food security and (perhaps less obviously) global energy security depend on adequate supplies of clean water – 70% of all available freshwater is used in agriculture, while the energy sector is the next largest user in many countries, and clean energy technologies use more water than their fossil fuel counterparts. Yet water is often still managed as a separate issue.

Nonetheless, as a food and beverage company, Nestlé recognises that its value chain depends fundamentally on access to clean water. We have therefore adopted rigorous standards to reduce water consumption at our plants and facilities, help farmers to become better stewards of water, support water resource awareness and education programmes in the communities where we operate, and participate in global dialogue with leading experts and policymakers.

Read more about [the global water crisis](#)

Renewable energy

Many renewable energy and energy efficiency initiatives often have high up-front costs despite lower running costs, and compete for funding against other priorities, particularly in the absence of government incentives and regulatory frameworks.

In addition to operational efficiency improvements and energy-saving equipment, Nestlé continues to explore the industrial feasibility of renewable energy sources to reduce our reliance on fossil fuels. Nestlé's budget-planning process also encourages investments that do not meet conventional criteria but still make business sense (eg by demonstrating that our brands stand for environmental stewardship as well as taste, health and convenience).

Read more about [renewable energy](#)

Packaging

Packaging is an issue that needs to be addressed through system-wide action and collaboration. It requires manufacturers and retailers to design and deliver more efficient packaging solutions, consumers to reduce, reuse or recycle, and municipalities to provide collection facilities. In addition, sustainable packaging design involves many trade-offs, such as weight versus recyclability, or environmental impact versus ability to protect and thus reduce food waste.

Nestlé's packaging eco-design tool helps to select the most appropriate materials. We also play an important role in raising awareness among consumers about the recyclability of PET bottles so that collection schemes improve.

Read more about [packaging](#)

Palm oil

Global production of palm oil has doubled in the past decade. It is used in an increasing number of food, detergent and cosmetic products, and is also grown as a feedstock for biofuels. To meet this demand, tropical rainforests and peatlands in South East Asia, as well as in Africa and Latin America, are being destroyed to create oil palm plantations. Not only does this threaten biodiversity and local communities, it will also release more greenhouse gases into the atmosphere, accelerating climate change.

Focusing on commodity purchases beyond our "big three" (milk, coffee and cocoa) requires a significant change in our procurement practices and our relationships with all parties in our complex supply chains. The steps Nestlé has taken have culminated in a commitment to use only palm oil from sustainable sources by 2015, a partnership with The Forest Trust to define Responsible Sourcing Guidelines for our procurement process, and a commitment to eradicate all traces of deforestation from our products. Nonetheless, we deal – directly and indirectly – with thousands of suppliers and millions of farmers, often in very challenging parts of the world, so this final ambition may take many years to achieve.

Read more about [palm oil](#)

Child labour in the cocoa sector

The International Labour Organization (ILO) estimates that 132 million children aged 5 to 14 work in agriculture around the world, including those working on cocoa farms. These farms are usually family smallholdings in regions suffering from poverty and where educational opportunities are limited. What is acceptable and prohibited is guided by a number of internationally agreed conventions.

Nestlé is a founding participant in the International Cocoa Initiative (ICI), a multi-stakeholder initiative that aims to address the worst forms of child labour, its root causes and improve access to education. We also require all of our suppliers to abide by our Supplier Code, which includes provisions on forced labour and child labour.

Read more about [child labour in the cocoa sector](#)



Human/labour rights

Human rights are the rights and freedoms to which all humans are entitled, and labour rights are integral to these. However, the international human rights treaties apply to Governments and it has been difficult to agree on their implications for business. Therefore, the UN Human Right Council appointed a Special Representative on Business and Human Rights, Professor John Ruggie in 2005 to determine on how companies should relate to human rights. In 2008, Ruggie's "UN Framework" was unanimously adopted by the UN Human Rights Council. The Framework reiterates that the primary obligation to protect human rights rests with States. However, companies have to respect human rights even in countries of weak governance, or which have not ratified the relevant international treaties. Finally, effective non-judicial and judicial grievance mechanisms have to be found.

The Nestlé Corporate Business Principles (NCBP) – which govern the behaviour of all Nestlé employees – explicitly recognise the "corporate responsibility to respect human rights" as defined in John Ruggie's UN Framework on Business and Human Rights, as well the core ILO conventions and other international standards and initiatives. Given that labour issues are dealt with locally, an Employee Relations Experts Community has been set up to leverage knowledge and capabilities across Nestlé, facilitates access to people, information and good practices, and implements corrective actions. We also foster relationships with external labour stakeholders like the ILO, OECD and IUF and set a constructive tone of open dialogue on labour matters with them. We work with external experts on human rights due diligence and we monitor compliance through our external CARE audit programme and the Nestlé Group Audit function. We also require all of our suppliers to abide by our Supplier Code, which includes provisions on forced labour and child labour.

Read more about [human/labour rights](#)

Sustainable consumption

The sustainable consumption challenge is fundamental not only for Nestlé and for businesses, but for society as a whole. How will we support the needs and desires of our growing population with the resources we have, many of which are finite?

Nestlé participates in a number of roundtables to discuss and develop solutions to this challenge, including the EU Food Sustainable Production and Consumption Roundtable, the World Economic Forum Sustainable Consumption Initiative and the Sustainable Consumption Institute at the University of Manchester.

Read more about [sustainable consumption](#)

Global food commodities markets

While global food commodities markets have been successful at providing calories at relatively low cost to many and enabling food companies to maintain security of supply, the volatility of food prices poses a challenge to both smallholder farmers and poor consumers.

Nestlé is working to shorten supply chains for some of its key crops and to support the capacity of producers to deal with the challenges of the global food market. Our Popularly Positioned Products (PPP) are designed to provide affordable nutrition to those at the base of the income pyramid.

Read more about [global food commodities markets](#)



Governance

Governance structure

Within our general corporate governance structure, the Chairman, the Chief Executive Officer and other members of the Executive Board are ultimately responsible for the supervision and management of the Group, supported by a number of other governance bodies, including our Operations Sustainability Council, Issues Round Table, Audit Committee, Risk Management Committee, R&D Sustainability Council and Group Compliance Committee. (For full information on governance, please see our *Corporate Governance Reports* at www.nestle.com/csv/downloads.)

We have established a quarterly Creating Shared Value Alignment Board, chaired by our Chief Executive Officer Paul Bulcke. This quarterly board is an umbrella organisation that oversees the strategic implementation of Creating Shared Value (CSV) across all Nestlé businesses. It will lead the development and evolution of Nestlé's CSV and sustainability objectives and strategies at Group level, while reverting to the Executive Board for input and confirmation. It will also liaise with and ensure coherence with our CSV Advisory Board, which gives external input to our activities.

Principles and policies

Nestlé's corporate culture and relationship with its stakeholders is expressed in a number of documents. Our overall framework continues to the *Nestlé Corporate Business Principles*, which guide our behaviour in relation to all relevant stakeholders, supported by the *Nestlé Management & Leadership Principles* and the *Nestlé Code of Business Conduct*. These reflect the 10 UN Global Compact Principles on Human Rights, Labour, the Environment and Corruption, and other relevant international human rights and labour standards. The Corporate Business Principles were recently revised and reissued to all markets (with the exception of Germany and Israel). A sustained communication campaign involving an email to all employees, a satisfaction survey, flyers, and presentations and videos at team meetings will be followed up by ongoing work to determine how best to integrate the Nestlé principles into key processes.

Compliance

They are supplemented by a wide range of global policies on nutrition, marketing, environmental sustainability, occupational health and safety, quality and human resources, all of which are available for download from www.nestle.com/csv/downloads.

Our principles and policies are applied consistently and rigorously in all countries through our auditing and assurance standards:

- compliance regarding human resources, safety, health and environmental sustainability is verified by our internal auditors and our CARE programme;
- manufacturing sites are being certified against ISO 14001 and OHSAS 18001 standards;
- infant formula marketing activities are independently audited.

Creating Shared Value Advisory Board

To increase our positive impact on society, the Nestlé Creating Shared Value Advisory Board met for the first time in April 2009. The Board members, all internationally recognised experts in corporate strategy, nutrition, water and rural development were appointed for three years to act as direct advisors to the Nestlé Chairman and CEO.

The Board meets twice a year to further develop the CSV concept, analyse the Nestlé value chain and suggest potential actions, help to lead the annual CSV Forum and select the winner of the new Nestlé Prize in Creating Shared Value.



Nancy Birdsall is the founding president of the Center for Global Development. Before founding the center, she served for three years as senior associate and director of the Economic Reform Project at the Carnegie Endowment for International Peace. From 1993 to 1998, she was executive vice president of the Inter-American Development Bank. Before joining the Inter-American Development Bank she spent 14 years in research, policy, and management positions at the World Bank.



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



Joachim von Braun is Director of the Center for Development Research (ZEF) and Professor of Economics and Technological Change at the University of Bonn. Dr Von Braun was previously Director General of the International Food Policy Research Institute (IFPRI), where he oversaw the Institute's highly recognised efforts to provide research-based sustainable solutions for ending hunger and malnutrition.



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



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



Ruth Khasaya Oniang'o is Professor of Food Science and Nutrition at Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya. She is also Founder and Executive Director of the Rural Outreach Program Kenya, as well as Founder and Editor-in-Chief of the African Journal of Food, Agriculture, Nutrition and Development. She has written numerous articles and papers on household food and nutritional security, women's nutrition and children's health.



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



Irwin Rosenberg is the Professor of Physiology at the Friedman School of Nutrition Science & Policy at Tufts University. He is also the Senior Scientist and Director of the Nutrition and Neurocognition Laboratory, where he examines the interaction between nutritional factors and age-related cognitive decline. His other research interests include metabolism of vitamins and vascular disease.



Jeffrey D. Sachs is the Director of The Earth Institute, Quetelet Professor of Sustainable Development, and Professor of Health Policy and Management at Columbia University. A globally recognised economist, he is also Special Advisor to United Nations Secretary-General Ban Ki-moon on the UN Millennium Development Goals and a leading advocate for development favouring rural populations.



Ismail Serageldin Director, Library of Alexandria, also serves as Chair and Member of a number of advisory committees for academic, research, scientific and international institutions and civil society efforts, which include the Institut d'Égypte, TWAS (Academy of Sciences of the Developing World), the Indian National Academy of Agricultural Sciences and the European Academy of Sciences and Arts.



Robert L. Thompson, Professor Emeritus of Agricultural Policy at the University of Illinois in Urbana-Champaign, is an international authority on agricultural development and international agricultural trade policy. He is a Senior Fellow of the Chicago Council on Global Affairs and serves on the USDA- USTR Agricultural Policy Advisory Committee for Trade and the International Food and Agricultural Trade Policy Council. Formerly, he was Director of Rural Development at the World Bank, Dean of Agriculture at Purdue University, and Assistant Secretary for Economics at the US Department of Agriculture.



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



Ajay Vashee is President of the International Federation of Agricultural Producers (IFAP), which represents farmers at the world level. Elected at the 38th IFAP World Farmers' meeting in June 2008, he is the first President from a developing country (Zambia) in IFAP's 62-year history.



Ann M. Veneman served as Executive Director of UNICEF from May 2005 to April 2010, working to advance issues to support child health and nutrition, quality basic education for all, access to clean water and sanitation, and the protection of children and women from violence, exploitation and HIV/AIDS. Previously, she was US Secretary of Agriculture from 2001 to 2005.



Nestlé Prize in Creating Shared Value

The Nestlé Prize in Creating Shared Value is awarded in alternate years to an individual, a non-government organisation (NGO) or a small business to reward an outstanding innovation or project in the area of water, nutrition or rural development.

Do you want to see your innovation or project scale up?
Do you have a focus in Water, Nutrition or Rural Development?
Do you have the ambition to see your project become financially sustainable?
Are you looking for funds to get there?

If the answer is yes, the Nestlé Prize in Creating Shared Value is for you.

The 2012 Nestlé CSV Prize nomination period is running from 11 February to 30 June 2011. Find out more about the [nomination process and conditions to apply](#).

The Nestlé CSV Prize commits to the Prize Laureate an investment of up to CHF 500 000 (approximately, USD 480 000) for a specified period of time to assist in the development of the innovation and bring it to scale. This is what makes the Nestlé Prize unique: a financial commitment over a period of time to ensure long-term success.

The first Nestlé Prize in Creating Shared Value was awarded in May 2010 to [International Development Enterprises \(IDE\) Cambodia](#) for a project improving agricultural productivity and income among rural Cambodian population.

The Prize Laureate is selected by the Nestlé [Creating Shared Value Advisory Board](#), an independent body comprised of internationally recognised experts in corporate strategy, nutrition, water and rural development.

For more information, download our [flyer \(pdf, 584 Kb\)](#) or contact us at: CSVPrize@nestle.com.



FARM BUSINESS ADVISOR: The first Nestlé Prize in Creating Shared Value was awarded to IDE Cambodia for its innovative approach to increasing agricultural productivity and income for Cambodian farmers.

Prize winner 2010

The first Nestlé Prize in Creating Shared Value was awarded on 27 May 2010 to International Development Enterprises (IDE) Cambodia. The non-profit organisation received CHF 500,000 (approximately USD 480,000) in prize money for its innovative, market-based approach to increasing agricultural productivity and income for Cambodian smallholder farmers.

Ninety per cent of Cambodia’s poor live in rural areas, relying heavily on income from farming. Cambodian farmers can improve their standard of living by growing and selling vegetables. However, many cannot exploit this opportunity because they lack the technical know-how, quality raw materials, farming equipment, access to credit, or market information.

Starting in 2005, IDE Cambodia has responded to these challenges by recruiting a network of small rural entrepreneurs to become ‘Farm Business Advisors’ (FBAs), selling a range of products and services to help small-scale farmers improve their farming techniques and income. One key productivity technology sold by FBAs is an affordable drip irrigation kit, which reduces water use and labour while improving yields.

Through this approach, farmers become more effective producers and marketers, thereby increasing their revenue. In turn, FBAs earn additional income from selling their products and services at a profit.

Creating shared value is the very heart of this project. If the farmers are successful, the FBAs are successful. The system flourishes only if there is real value being created at the farm level so everyone in the project is heavily invested in the farmers’ success.

Thanks to the prize monies, IDE will significantly expand this project and positively impact an additional 20,000 people in more than 4,000 rural households.

Learn more about [IDE Cambodia’s Farm Business Advisors programme \(pdf, 353 Kb\)](#)

Learn more about [Puth Saroeun and her work as a Farm Business Advisor \(pdf, 135 Kb\)](#)

Read an [interview with Michael Roberts \(pdf, 126 Kb\), Country Director, IDE Cambodia](#)

For high resolution photographs please visit our [Flickr Photostream](#)

Watch a [Short film](#) about the project



A BRIGHTER FUTURE: Yan Reach, above, is one of the 4,500 small-scale farmers currently benefiting from IDE Cambodia’s Farm Business Advisors programme. With the help of a FBA, she has started to grow vegetables, which she sells on the local market. Through this activity, she earns a steady income and has improved the quality of life for her and her family.



Healthy Kids Programme

While nutritional status has improved worldwide over the past 50 years, new nutrition-related problems have also emerged. Problems of under-nutrition continue to exist in developing countries, while increasing rates of obesity in developed countries contribute to increasing rates of chronic disease around the world. We believe that education is the single most powerful tool for ensuring that children understand the value of nutrition and physical activity to their health through the course of their lives.

The objective of the Nestlé Healthy Kids Global Programme is to raise nutrition, health and wellness awareness of school-age children around the world.

Healthy Kids programmes are designed and implemented in collaboration with national health authorities, child nutrition experts and/or education authorities and health experts. Partnerships with over 100 organisations were developed under the Healthy Kids Global Programme (governmental and non-governmental organisations, national sporting organisations, national health associations and universities). The programmes must fulfil stringent criteria and vary as each country's circumstances are taken into account. Nestlé aims at implementing the Healthy Kids Programme in all countries where it operates directly by the end of 2011.

The development of the Healthy Kids Global Programme is building on Nestlé's existing base of over 30 education programmes, such as:

- [EPODE "Together, Let's Prevent Childhood Obesity" in France;](#)
- [Nestlé Brazil's "Nutrir" programme;](#)
- [Nestlé Russia's "Good Nutrition" educational programme;](#)
- [Healthy Thai Kids;](#)
- [Nutrikid](#) in Italy;
- [Nutrikid](#) in Hungary.

New pilot programmes started in 2010 in many countries, such as Argentina, China, Taiwan, Korea, Malaysia, Singapore, Pakistan, Philippines, India, Mauritius, Germany, Lebanon, Bangladesh, Sri Lanka, Turkey, Austria and The Netherlands.



Nestlé
Healthy Kids
Global Programme



Stakeholder engagement

During 2009 and 2010, Nestlé continued its commitment to open dialogue with all stakeholders, including consumers, customers, employees, investors and others, using a wide variety of channels.

CSV Forum

In April 2009, Nestlé held its first forum on Creating Shared Value in New York, in collaboration with the United Nations Office for Partnerships and the Swiss Mission to the UN, where the Company launched three new initiatives aimed at creating new partnerships with governments, NGOs and small enterprises:

- an expanded education programme focused on Nutrition, Health and Wellness for school-age children around the world;
- a research and development centre in West Africa;
- a new Nestlé Prize in Creating Shared Value, awarded every other year to foster innovative approaches to problems of nutrition, water and rural development.

These initiatives make a fundamental connection between shareholder value and community value.

Through a live webcast, the Forum served as an engagement platform for national Nestlé companies around the world, and a number of Nestlé companies replicated the New York Forum at the national level. A webcast of the Forum, including sessions on Creating Shared Value and our three key focus areas, is available at www.creatingsharedvalue.org.

On 27 May 2010, Nestlé and the International Business Leaders' Forum, with the participation of the UN Office for Partnerships, held the second Creating Shared Value Forum. The Forum gathered together the world's leading experts in the areas of nutrition, water and rural development to discuss the serious global challenges facing us in these three areas, and the role of business in solving them.

And on 22 November 2010, Nestlé – with the participation of the Centre for International Governance, Graduate Institute of International and Development Studies – held a Creating Shared Value "Forum in Focus" entitled *Ensuring Food Security: What Role for Business?* Business leaders, NGOs, international organisations, academics and representatives from civil society were among the attendees who debated – both live and online – the role of business in ensuring global food security.

Stakeholder convenings

Starting in 2007, a number of stakeholder convenings have been held in Washington, Geneva and Kuala Lumpur to help us better understand the changing needs and expectations of society as it relates to Creating Shared Value.

In particular, the convening discussions aimed to:

- reflect on Nestlé's current commitments, policies and performance;
- determine how effectively Nestlé bridges and aligns the Company's business and Creating Shared Value strategies and initiatives;
- identify opportunities and challenges, and within that, implications and specific expectations for Nestlé reporting, looking back as well as ahead.

The convenings were designed, organised and facilitated by AccountAbility, and were attended by a total of more than 50 experts from a wide range of social and environmental impact areas relevant to Nestlé's business activities and operations. The participants were invited by Nestlé to share their perspectives candidly. Sessions were also attended by senior managers and decision-makers from Nestlé functional business areas and public affairs.

Stakeholder convenings – expert participants*

Washington, October 2008

Population Council, Conservation International, International Center for Research on Women, International Food Policy Research Institute, UN Foundation, Global Health Council, Pew Center for Climate Change, Calvert, The Nature Conservancy, Care USA, The Hunger Project, IFC, SEAF, Sustain, USAID.

Geneva, October 2009

Covalence, Swiss Farmers Union, World Economic Forum, WWF, International Chamber of Commerce, Center for Governance, South Center, Graduate Institute, Fair Labor Organization, UBS, Inter-Faith Action for Peace in Africa (IFAPA), The Methodist Church.

Kuala Lumpur, December 2009

Malaysian Institute of Corporate Governance, Nutrition Society of Malaysia, Business Council for Sustainable Development, National Council of Women's Organizations, Malaysia Industries Commerce and Companies Information, Institute of Strategic and International Studies Malaysia, Business Ethics Institute of Malaysia, Halal Industry Development Corporation, Malaysian Nature Society, Securities Commission of Malaysia, Transparency International Malaysia, Federation of Malaysian Consumers Associations, Malaysian Association for the Study of Obesity, Human Rights Commission of Malaysia (SUHAKAM), WWF Malaysia.

* This list records independent organisations that attended stakeholder convenings in 2008 and 2009, and is not intended to imply that these organisations have commented on or verified the contents of our 2009 Creating Shared Value Report.



Key issues identified

A number of key issues were identified by stakeholders during the discussions:

- Nutrition, Health and Wellness, including the promotion of healthy lifestyles and the provision and communication of related information;
- human rights and sustainable production, both within Nestlé's own operations and as part of the supply chain, including climate change, CO₂ and water management;
- community support including rural and small enterprise development.

The importance of compliance, including engagement with local government and authorities, and effective assurance, including the Company's broader engagement strategy and verification of key impact data along the value chain, continue to be common themes across all convenings in 2008 and 2009.

Recognising the already extensive and ever-increasing range of case studies from Nestlé global operations, stakeholders recommended that Nestlé more clearly presents actual impact made and progress achieved for a specific issue or region. This is to support the sharing of learning and leading practice across the Company and sector.

To prepare for the next global CSV report, to be published in 2012, further convenings will be held during 2011.

Insights and learning for Nestlé

The sessions provided Nestlé with candid conversations resulting in valuable input as the Company develops specific implementation plans for the three new Creating Shared Value pillars – nutrition, rural development and water. They also gave the Company further insight into relative priorities in the context of individual, organisational and geographic perspectives of the participating stakeholders. For example, Nestlé's role in standards development/promotion – especially on Halal – was discussed during the Kuala Lumpur convening.

Keeping its commitment to report back on progress made over time, Nestlé is committed to continuing and broadening its engagement over 2010.

In some countries, we also have formal multi-stakeholder and stakeholder consultation mechanisms in place. For example, in Colombia, Nestlé is a founding participant of the "Guías Colombia" (Guidelines for Colombia) process, which brings together companies, government, NGOs and trade unions and has a formal dialogue with Alliance Sud, a group of Swiss NGOs that is examining Nestlé's activities and relationships with trade unions and local communities, and their impact on the country's development and human rights.



Other stakeholder partnerships

Nestlé also works closely with a number of stakeholders from across the globe to share insights, identify best practices and leverage greater impact for its efforts through programming partnerships, policy forums, leadership events and market-wide frameworks. These include:

- a global partnership with the International Federation of the Red Cross/Red Crescent societies dedicated to clean drinking water and sanitation;
- the International Cocoa Initiative, a partnership between the cocoa industry, NGOs and unions, to eliminate the roots of unacceptable child labour in cocoa-growing areas;
- the International Food and Beverage Alliance, a coalition of 10 of the largest food and beverage companies, in dialogue with the World Health Organization to help implement its Global Strategy on Diet, Physical Activity and Health;
- the European Food Sustainable Consumption and Production Round Table, which aims to establish the European food chain as a major contributor towards sustainable consumption and production in Europe, and which we co-chair with the European Commission;
- the Sustainable Agriculture Initiative (SAI), a food industry-wide collaboration to support development and implementation of internationally accepted principles and standards for sustainable agriculture.

Other Nestlé engagement platforms include the independent Nestlé Foundation for the Study of Problems of Nutrition in the World, the Nestlé Nutrition Institute and the Nestlé Nutrition Council.



Support for global principles and goals

Nestlé has a strong corporate culture, built around basic human values and principles, that unites people from widely different backgrounds in over 100 countries. A basic requirement is that our investments must be good for our shareholders and for the countries where we do business.

We are also guided by international norms and principles, such as the fundamental International Labour Organization (ILO) conventions.

Beyond this, we have been a strong supporter of the United Nations Global Compact since its inception, and were founding signatories of its CEO Water Mandate. We are also strong supporters of action to help reach the United Nations Millennium Development Goals.

Finally, we constantly monitor our progress in respect of international norms, enshrined in our Corporate Business Principles, which is one reason we are carrying out a comprehensive human rights due diligence analysis, in partnership with the Danish Institute of Human Rights (DIHR).

Read more:

- [UN Global Compact Principles](#)
- [CEO Water Mandate](#)
- [UN Millennium Development Goals](#)
- [Human rights, including labour rights](#)



UN Global Compact Principles

Nestlé’s [Corporate Business Principles \(pdf, 1 Mb\)](#) guide our behaviour in relation to all relevant stakeholders. They reflect the basic concepts of fairness, honesty and respect for people and the environment in all our business actions, and incorporate the 10 United Nations Global Compact (UNGC) Principles on Human Rights, Labour, the Environment and Corruption. In 2009, Nestlé also became a member of UN Global Compact LEAD, a leadership platform comprising a select group of UN Global Compact “champion” companies, which will be scaled up in 2011.

Furthermore, Nestlé was a Patron Sponsor of the UN Global Compact’s 10th Anniversary Leaders Summit in June 2010, and the Company is an active member of several of the Compact’s Working Groups and Initiatives.

Click on the links below to see recent examples of Nestlé’s support for the UNGC Principles:

Human Rights	Nestlé Enterprise Risk Management Principles Danish Institute of Human Rights partnership Institute for Human Rights and Business report
Labour	Revised Nestlé Corporate Business Principles New Employee Relations Policy Child labour in the agricultural sector
Environment	Life Cycle Assessment of Nescafé Classic Eco-D and PIQET eco-design tools Extending ISO 14001 and OHSAS 18001 certification CEO Water Mandate’s workstreams on Policy Engagement, Water Disclosure and Human Right to Water Water Resources Review roll-out Carbon Disclosure Leadership Index 2010 Sustainable distribution through co-operation Energy Target Setting Initiative Responsible Sourcing Guidelines for palm oil
Anti-corruption	Anti-corruption risk assessment Anti-corruption training tool Group-wide integrity reporting system



CEO Water Mandate

In 2010, the UN Global Compact's CEO Water Mandate published a Framework for Responsible Policy Engagement, as well as a full Guide on Responsible Business and Water Policy.

Furthermore, the Mandate produced a White Paper on the Right to Water. Nestlé continued to be one of the leading companies within the Mandate and has been active in all three workstreams on Policy Engagement, Water Disclosure and Human Right to Water. In 2010, the Mandate held two Working Conferences in New York and Cape Town, as well as an Information Conference in Stockholm. The Cape Town event was accompanied by a joint World Economic Forum, WWF and CEO Water Mandate Multi-stakeholder Conference, which featured prominent presentations by the Market Head, the Technical Director and the Corporate Affairs Director of the Nestlé Southern African Region.

The Mandate has also introduced an official Communication on Progress (COP) on water. As a founding signatory of the Mandate, Nestlé supports this approach and has structured its water reporting around the six core elements of the Mandate:

Creating Shared Value and water management in direct operations

- In 2010, we withdrew 144 million m³ of water, or 3.29 m³ per tonne of product – a 5% reduction on the 2009 level
- Our Water Resources Review programme has been conducted at 67 Nestlé Waters sites and been rolled out to our food factories
- We use municipal wastewater plants to ensure only cleaned water is returned to the environment
- We have also invested in 292 of our own on-site facilities, including our latest in Tema, Ghana, leading to stricter regulations in many countries
- We remove 97% of the organic load of the water leaving our factories before it is returned to the environment
- Our milk powder factory in Mossel Bay, South Africa, has halved water use by implementing an innovative approach to reusing water from its production process



Creating Shared Value in supply chain and watershed management International Water Management Institute (IWMI) water footprint study in India

- Nestlé is playing a leading role in a pilot project in India, run by the International Crops Research Institute for the Semi-Arid Tropics
- The project seeks to improve good water management practices and tools at a farm level
- Together with the IWMI, Nestlé studied the water footprint of milk, wheat and rice production in the region, and found that current groundwater use is unsustainable
- More specifically, the study shows that the irrigation water footprint of milk production is lower than that of rice, the most widely cultivated crop
- To reduce water use in Moga, IWMI recommends intensifying milk production by increasing the fodder area, the number of cattle and increasing each cow's productivity
- It also suggests improving cultivation and irrigation practices to reduce the water footprint of rice





Creating Shared Value and community engagement in water projects

- Instigated 184 clean drinking water projects in village schools in South East Asia
- Water filtration plant at our Kabirwala factory in Pakistan provides clean drinking water to almost 5000 people
- In Cambodia, Nestlé Nordic and the Cambodian and Danish Red Cross organisations have helped locals to build eight wells, and educate people about hygiene and sanitation
- Nestlé provides the financial and technical support for a projects that brings water and sanitation facilities to an estimated 22 000 people in eastern Rwanda
- Nestlé signed a new global partnership until 2013 with the Global Water and Sanitation Initiative of the International Federation of Red Cross and Red Crescent Societies
- Participatory hygiene training (PHAST) projects are providing access to clean water and sanitation to 10 000 people in cocoa-growing areas of Côte d'Ivoire. This project will be expanded to reach an additional 53 000 people under the new partnership
- Nestlé Waters is a partner of Project WET, an education programme that promotes water awareness among millions of children around the world



Creating Shared Value and public policy engagement

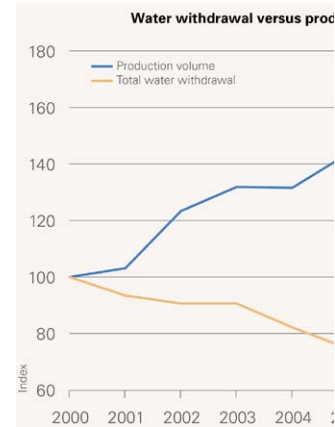
- Led a joint project to produce Charting Our Water Future: A new economic framework to decision making, and implement its findings in specific watersheds and countries
- Founding signatory of the UN Global Compact CEO Water Mandate, and active in all three work streams on Policy Engagement, Water Disclosure and Human Right to Water
- Senior Nestlé management made prominent presentations at joint World Economic Forum, WWF and CEO Water Mandate conference in Cape Town
- Played an active role in the last four World Water Weeks in Stockholm
- Works with the Swiss Development Agency and a consortium of Swiss companies in Colombia to assess water footprints
- Member of the Water Footprint Network and supports the work on the new ISO 14046 Standard on Water Footprinting
- One of the first companies to recognise the Right to Water





Creating Shared Value and transparency in water reporting at Nestlé

- Nestlé has reduced its water withdrawal by 32% since 2000, while our food and beverage production volume increased by 73%
- Our goal is to reduce consumption on a comparable basis by a further 10–15% over the next five years
- We were among the first companies to contribute to the Carbon Disclosure Project's (CDP) Water Disclosure report in 2010



Creating Shared Value and collective action: The Nestlé Prize in Creating Shared Value

- The Nestlé Prize in Creating Shared Value is awarded every other year to an individual, NGO or business with an outstanding innovation to improve rural development, nutrition, access to clean water or water management
- Prize Laureate receives investment of up to CHF 500 000, and is selected by the Nestlé Creating Shared Value Advisory Board, comprising internationally recognised experts in nutrition, water and rural development
- Inaugural 2010 prize won by IDE Cambodia
- Nominations for the 2012 Prize are now open



UN Millennium Development Goals

We also contribute towards achieving the UN Millennium Development Goals (MDGs), which aim for positive, sustainable change. Nestlé regards the MDGs as highly important objectives that, through partnerships that harness local knowledge and capabilities, can result in positive, sustainable change, and are one of the topics addressed by the Creating Shared Value Advisory Board.

In 2010, two-thirds of the way to the UN’s 2015 deadline, Nestlé prepared and issued a second report, charting our contributions to the MDGs. We identified 292 initiatives that contribute to one or more of the Goals worldwide. Fifty-six projects in 36 countries were focused on combatting poverty and hunger issues (Goal 1), but others had notable impacts on environmental sustainability (Goal 7) and building partnerships (Goal 8).

Click on the links below to see recent examples of Nestlé actions:

MDG 1	Eradicate extreme poverty and hunger
MDG 2	Achieve universal primary education
MDG 3	Promote gender equality and empower women
MDG 4	Reduce child mortality
MDG 5	Improve maternal health
MDG 6	Combat HIV/AIDS, malaria and other diseases
MDG 7	Ensure environmental sustainability
MDG 8	Develop global partnerships

Human rights, including labour rights

Nestlé supports the Universal Declaration of Human Rights and explicitly recognises the “Corporate Responsibility to Respect Human Rights”, as outlined in the UN Framework on Business and Human Rights proposed by John Ruggie, Special Representative of the UN Secretary General on Business and Human Rights. Nestlé is also one of the few companies to recognise the Right to Water in June 2010, even before the formalisation of this right by the relevant UN authorities later in the year.

Since 2008, Nestlé has been working with the Danish Institute for Human Rights (DIHR) and concluded a two-year partnership with the DIHR in July 2010 to focus on human rights/labour rights due diligence, both at the corporate level and in countries of concern.

Read more in the ‘[Our People](#)’ section of our Creating Shared Value website.

About our reporting

Our aim is to report on Nestlé's long-term impact on society and how that relates to the creation of a successful long-term business. Since 1995, we have regularly published reports on environmental matters (see [Downloads](#)) and, in 2001, we began to report on matters related to rural development and farmers, employees and social and economic development in Latin America and Africa. We committed to issuing global Creating Shared Value Reports every two years in 2007, since when we have continued to focus on progress against key performance indicators (KPIs) across our value chain and outline the actions we have taken to address the key challenges facing our business.

In alternate years, we have reported in more depth on one of our three focus areas: nutrition, water and rural development. These in-depth reviews included the *Nestlé Water Management Report* in 2006, *Nutritional Needs and Quality Diets* in 2008 and this [current report on Rural Development](#).

We have continued to develop Creating Shared Value and the way we report on our progress with a focus on key performance indicators and the actions we have taken to address challenges such as malnutrition and obesity, for example. "Our aim is to report on how Nestlé's activities simultaneously create long-term value for society and for our shareholders."

Our wider Creating Shared Value communications

The case studies, audio content, videos and downloads in this full CSV update, and our print summary (available at [Downloads](#)) are companions to our 2010 *Annual Report*, which outlines our overall business and financial performance. Together, they form an integral part of our overall communication on Creating Shared Value performance.

In June 2009, we also launched www.creatingsharedvalue.org, a new online community resource bringing together Nestlé content and material relevant to Creating Shared Value from other sources.

In addition to these primary CSV reporting channels, we provide information on our Creating Shared Value activities to our customers and consumers as part of the Nestlé Professional, *Nespresso Ecolaboration*[™], Cocoa Plan and *Nescafé* Sustainability web pages and through various social media channels. We also respond to the Carbon Disclosure Project, Dow Jones Sustainability Index and UNGC disclosure requests. Many of our country markets also produce their own regional CSV reports.

Nestlé was ranked second as a global leader in online Corporate Social Responsibility Communications by the Italian-based Lundquist. The CSR Online Awards 'Global Leaders' 2010 classification shows how the world's most sustainable companies are communicating CSR online.



Future reporting

Our objective is to align our external reporting with good practice guidelines. We plan to further align Nestlé's future reporting with the Global Reporting Initiative (GRI) G3 guidelines and the GRI Food Processing Sector Supplement published in 2010.

Furthermore, Jim Singh, Nestlé's Chief Financial Officer, became a member of the International Integrated Reporting Committee (IIRC), formed by The Prince's Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) in August 2010.

Boundary and scope

The information contained in our latest online report and this summary covers Nestlé's global operations for the year ending 31 December 2010, unless otherwise stated, and has been subject to external assurance by an independent third party. Data is provided for Nestlé's wholly owned companies and subsidiaries, excluding joint ventures and suppliers, unless specifically stated. The environmental data refers to factories only, and health and safety figures cover all 281 000 Nestlé employees, as well as the thousands of contractors working on Nestlé sites.

We continue to prioritise those material issues that have a significant current or potential impact on the Company, are of significant concern to stakeholders and over which Nestlé has a degree of control.

Assurance statement

To: The Stakeholders of Nestlé S.A.

Introduction

Bureau Veritas Solutions has been engaged to provide external assurance to the stakeholders of Nestlé SA (Nestlé) over its Creating Shared Value and Rural Development Report 2010 (the CSV Rural Development Report) and the Creating Shared Value KPI table and related KPI Performance statements (online KPI Update) of the Nestlé website [www.nestle.com/csv]. The preparation of both the content of the CSV Rural Development Report and the online KPI Update section of its website is the sole responsibility of Nestlé.

Building on the previous three years, the assurance process was designed to understand how Nestlé continues to identify its material risks and emerging issues in a changing environment, and to challenge Nestlé's in its CSV implementation, performance and reporting.

The objectives, scope, methodology, limitations and exclusions of our work are detailed below.

Objectives of assurance

The objectives were to:

1. provide moderate assurance over the stated content of both the CSV Rural Development Report and online KPI Update section of its website for the reporting period; and
2. provide an impartial commentary on the implementation of CSV, its reporting process and associated systems and, where appropriate, propose recommendations for future development.

Nestlé recognises the need for a robust, transparent assurance process to ensure continued credibility and to act as a tool to drive continual performance improvement in its CSV implementation and associated external reporting. Therefore, in addition to our commentary on the reporting processes, we also provide further recommendations below based on this period's assurance, with more detail included in a separate report to the management of Nestlé.

Scope and methodology

The scope of the assurance included:

1. a review of relevant CSV activities undertaken by Nestlé over the reporting period 1 January 2010 to 31 December 2010;
2. a review of information relating to Nestlé's CSV issues, implementation, responses, performance data, case studies and underlying systems to manage relevant information and data; and
3. an evaluation against the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines.





To conduct the assurance we undertook the following:

- verification of performance data and factual information contained within the CSV RD Report and the online CSV Update;
- interviews and follow-up communication with 34 key management staff predominantly at Nestlé's Head Office in Vevey, Switzerland; and
- review of processes for identification and collation of relevant information, report content and performance data from global group operations.

Opinion

Based on our work, it is our opinion that the CSV Rural Development Report:

- further advances Nestlé's evolving suite of CSV reports with responses to key challenges and issues it faces related to rural development, providing readers with additional understanding and context;
- includes information that is reliable, understandable and clearly presented, providing a comprehensive account of rural development based activities that are core to the CSV strategy, and performance by Nestlé over the reporting period;
- identifies and reports upon key material issues to which Nestlé needs to be a significant contributor; and
- is orientated towards the international development community as the audience of main interest, and to whom Nestlé's response is clear and comprehensive.

Based on our work, it is our opinion that the online KPI Update:

- progresses Nestlé's CSV performance related reporting with updated responses to some of the key challenges it faces, providing readers with continued understanding and context;
- includes information that is reliable, understandable and clearly presented, and provides an accurate account of relevant activities and performance over the reporting period on CSV related activities from across the business;
- presents a continuation of discussions around main issues introduced in previous CSV reporting and as such, does not omit any issues considered to be of material importance.

Evaluation against Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines

Bureau Veritas undertook an evaluation of Nestlé CSV related disclosures on the Nestlé website [www.nestle.com/csv] against the G3 Sustainability Reporting Guidelines. This included cross checking the [GRI index table](#) against all listed documents to provide an opinion on the self declared GRI application level.

Based on our work, it is our opinion that www.nestle.com/csv has been prepared in accordance with the GRI Reporting Framework including appropriate consideration of the Reporting Principles and necessary indicators to meet the requirements of GRI Application Level B+.



Progress and recommendations

- Stakeholders would benefit from a clearer explanation of the process for determining material issues, as well as those considered insufficiently material to include in reporting.
- Nestlé continues to provide a balanced account of its present position and performance, in particular through increased explanation of the CSV concept throughout the value chain. Although Nestlé has continued to include details of both its own and industry-led compliance auditing activities, as a key area of stakeholder interest, this is still an area that Nestlé could elaborate on to further improve transparency about its actual performance and minimisation of its impacts.
- The CSV Rural Development Report is reliant on case studies to demonstrate Nestlé activities and as such is relevant to this point in time. Stakeholders will expect future reporting in this area to be more performance orientated and as such Nestlé needs to focus its efforts in developing a methodology to measure the impacts (and benefits) of its rural development projects on a comparable basis across its markets.
- Nestlé's addressing of concerns relating to the procurement of palm oil raised during the reporting period is seen as a positive example of responding to stakeholders.
- The inclusion of independent commentary from key opinion leaders that form the Nestlé CSV Advisory Board is a positive step towards including the views of stakeholders in its reporting that could be expanded upon in future cycles to include other stakeholder groups such as NGOs more fully.
- As noted in our previous statements Nestlé's increased use of the internet for reporting and communicating CSV concepts and performance is a positive development. Nestlé could more fully explore developing online platforms towards providing stakeholders with dynamic reporting of compliance and performance information.
- To date, Nestlé engagement with consumers has been largely focused around nutritional programmes such as 60:40 and PPP and as such it has not really engaged consumers on environmental sustainability and commodity sourcing issues. Nestlé's launch of the Nescafé Plan (and previously the Cocoa Plan) represents some of the first marketing campaigns it has used to present its performance and objectives in these areas. These campaigns could be used to further engage consumers on environmental sustainability and commodity sourcing issues to ensure a comprehensive and balanced understanding of consumer needs, expectations and concerns.

This opinion has been formed on the basis of, and is subject to, the inherent limitations outlined below in this independent assurance statement.

Limitations and exclusions

Excluded from the scope of our work is information relating to:

- activities outside the defined reporting period and scope;
- statements of commitment to, or intention to, undertake action in the future;
- statements of position, opinion, belief and/or aspiration;
- any additional content hyperlinked from www.nestle.com/csv that is not specifically identified as having been assured by Bureau Veritas; and
- content that presents the opinions of external parties.

Much of the operating financial data in both the CSV Rural Development Report the online KPI Update is referenced from Nestlé's Annual Reporting and Accounts, which is separately audited by an external auditor and therefore excluded from the scope of the Bureau Veritas assurance.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Statement by Bureau Veritas of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in quality, health, safety, social and environmental management advice and compliance with over 180 years history in providing independent assurance services and an annual turnover in 2009 of €2.65 billion.

Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest.

Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in any other projects with Nestlé outside those of an independent assurance scope and we do not consider there to be a conflict between the other services provided by Bureau Veritas and that of our assurance team.

Our assurance team completing the work for Nestlé has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and through its combined experience in this field, an excellent understanding of good practice in corporate responsibility reporting and assurance

Bureau Veritas Solutions

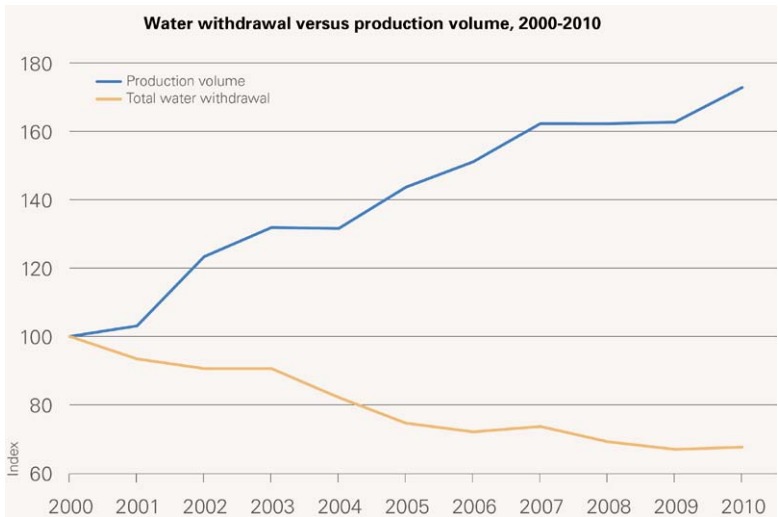
London, March 2011



Reporting performance

Nestlé continues to develop a comprehensive series of strategic Key Performance Indicators (KPIs), as part of our commitment to more evidence-based reporting. Where applicable, these KPIs provide a direct comparison against our previous year's performance, giving us a focus for measuring and reporting Creating Shared Value, sustainability and compliance over time.

Our KPIs are also highlighted throughout the report by means of the following icon: [KPIs]. We welcome feedback on these KPIs, and how these may be improved to more effectively communicate our CSV strategy.



Nestlé focuses on evidence-based reporting. For example, we report on water consumption in direct operations



2010 Rural Development highlights

Rural development	
25 million+	people involved in Nestlé's entire upstream value chain
USD 45 million	in financial assistance extended to farmers in 2010

Rural factories in developing countries	
33%	offer literacy and numeracy programmes
37%	run entrepreneurship programmes
44%	provide skilled trades
58%	offer formal apprenticeships
32%	provide clean drinking water to local communities
58%	contribute to local educational facilities
41%	invest in other local infrastructure
70%	have a Nestlé-built water treatment plant

The Nescafé Plan	
CHF 350 million	investment by 2020
220 million	high-yield coffee plantlets distributed to farmers by 2020
90 000 tonnes	of Nescafé coffee, grown according to Rainforest Alliance and Sustainable Agriculture Network (SAN) principles, to be produced by 2020

The Cocoa Plan	
CHF 110 million	investment over the next decade
600 000	high-yield disease-resistant plantlets distributed to farmers by June 2011
1 million	plants will be distributed to farmers in 2012
12 million	plants will be distributed to farmers within 10 years

Key Performance Indicators

Nestlé has developed performance indicators to provide a focus for measuring and reporting Creating Shared Value, sustainability and compliance. This summary of KPIs of relevance to rural development is taken from our full KPI table, which forms part of our communication of progress on the United Nations Global Compact Principles. Unless stated otherwise, performance indicators are for the year ending 31 December 2010.

Note: GRI indicators shown in brackets correspond in part to a GRI G3 indicator. Those not in brackets correspond in full.

Creating Shared Value performance indicator	GRI	2009	2010
Economic			
Total Group sales (CHF million)	EC1	107 618	109 722
Net profit (CHF million)	EC1	10 428	34 233
Nutrition			
Nestlé Nutrition sales volume (CHF million)		9963	10366
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of total sales) ^(a)		71	73.2
Renovated products for nutrition or health considerations ^(b)		7252	6502
Products with increase in nutritious ingredients or essential nutrients ^(b)		3878	3847
Products with reduction of sodium, sugars, trans fatty acids, total fat or artificial colourings ^(b)		3374	2655
Products analysed and improved or confirmed via 60/40+ programme (sales volume, CHF billion) ^(c)		16.8	36.4
Products containing Branded Active Benefits (sales volume, CHF million)		5045	5922
Products featuring <i>Nestlé Nutritional Compass</i> labelling (% of sales worldwide) ^(d)	PR3	98	97.1
Products in EU with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) ^(e)	PR3	91	98.7
Products with specific portion guidance (sales volume, CHF billion) ^(f)		21	21.3
Nestlé television advertising to children under 12 in compliance with policies on responsible marketing (%) ^(g)	PR7	99.9	99.5
Nestlé contraventions of infant formula marketing requiring remediation ^(h)	PR7	6	7
Infant formula marketing staff in higher-risk countries trained in the WHO Code (% of staff) ⁽ⁱ⁾		100	100
Popularly Positioned Product (PPP) SKUs		3950	4860
Popularly Positioned Products (total sales volume, CHF million)		8770	11070
Employees trained on nutrition (cumulative since 2007)		121 360	145 922

Creating Shared Value performance indicator

GRI

2009

2010

Water and environmental sustainability

Production volume

Total production volume (million tonnes)		41.17	43.74
--	--	-------	-------

Materials

Total raw materials used (million tonnes)	EN1	21.18	23.27
By-products for reuse or recovery (kg per tonne of product)	EN22	32.79	32.16
Waste for disposal (kg per tonne of product)	EN22	8.72	8.45

Energy

Total on-site energy consumption (Peta Joules)		85.2	88.6
Total on-site energy consumption (Giga Joules per tonne of product)		2.07	2.03
Direct energy consumption by primary energy source (Peta Joules)	EN3	61.0	63.0
Indirect energy consumption by primary source (Peta Joules)	EN4	65.1	67.6
On-site energy generated from renewable sources (% of total)	(EN3)	12.2	12.3

Greenhouse gases (GHGs)

Direct GHG emissions (million tonnes CO ₂ eq)	EN16	3.98	3.98
Direct GHG emissions (kg CO ₂ eq per tonne of product)	EN16	96.6	91.0
Indirect GHG emissions (million tonnes CO ₂)	EN16	3.00	3.14
Indirect GHG emissions (kg CO ₂ per tonne of product)	EN16	72.8	71.9

Water

Total water withdrawal (million m ³)	EN8	143	144
Water withdrawal (m ³ per tonne of product)	EN8	3.47	3.29
Total water discharge (million m ³)	EN21	91	94
Quality of water discharged (average mg COD/l)	EN21	91	78

Safety, health and environment governance

ISO 14001/OHSAS 18001 certified sites (% of total manufacturing sites)		83	91
--	--	----	----

Packaging

Total packaging materials (million tonnes)	EN1	4.17	4.59
Packaging weight reduction (tonnes)		58 995	70 828
Reduction of packaging weight (per l of product) Nestlé Waters over five years (%)		24 (2004–2009)	19 (2005–2010)

Creating Shared Value performance indicator

GRI

2009

2010

Rural development

Farmers trained through capacity-building programmes		165 500	144 900
Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes		35	45
Direct procurement markets covered by SAIN programmes (%)		89	100
SAIN projects associated with water		10	12
Suppliers audited for food safety, quality and processing		3864	3345
Suppliers who received and acknowledged the Nestlé Supplier Code		165 497	164 969
Key vendors within scope of the responsible sourcing audit programme ⁽ⁱ⁾		N/A	1481
Key vendors covered by a responsible sourcing audit (%) ⁽ⁱ⁾		N/A	66
Key vendors audited and compliant with Nestlé Supplier Code (%) ⁽ⁱ⁾		N/A	56
Quality key suppliers approved through vendor approval process (%) ⁽ⁱ⁾		N/A	61

Our people

Total workforce (number of employees)	(LA1)	278 165	281 005
Key Business Positions		1319	1379
Employees with potential to fill Key Business Positions		3922	8741
CARE gaps identified related to Business Integrity and HR		500	425
Of which: Minor		425	393
Major		75	32
Critical		0	0
Lost time injuries among employees and contractors (per million hours worked)	LA7	2.0	1.8
Total injury rate among employees and contractors (per million hours worked)	LA7	5.1	4.2
Fatalities of employees and contractors	LA7	4	11
Employees receiving formal classroom training in developing countries	(LA10)	93 146	102 292
Leadership positions held by women (%)	(LA13)	27	27.3
Local Management Committee members native to country in developing countries (%)		42	48

(a) 2010 assessment scope: 69.9% total food and beverages sales volume.

(b) Based on reports of approximately 75% of worldwide product development teams.

(c) Starting in 2010, this KPI better reflects the dynamic nature of our 60/40+ programme. Assessment results are valid for a maximum of three years, only if all parameters remain equal. Within the reported sales value, some products were frequently re-assessed. The comparable KPI for 2009 would be CHF 32.9 billion.

(d) Excludes total petcare and, for US only, *Dreyer's* and newly acquired pizza business.

(e) Across EU 27 plus Norway and Switzerland. Excludes plain coffee, tea and water, products for Nestlé Professional, gifting chocolate, petcare, and Nestlé Nutrition.

(f) Products sold as single servings and meeting/exceeding Nutritional Foundation OR sold with/via a device or equipment delivering a serving meeting/exceeding Nutritional Foundation OR sold to caregivers with detailed instructions on adjusting servings to evolving nutritional needs.

(g) The compliance rate reported in 2009 corresponds solely to Nestlé's commitment to not advertise to children under six years of age. The compliance rate in 2010 reflects the fuller commitment to only advertise "better for you" products to children aged 6–12 years.

(h) Based on internal and external audits.

(i) "Higher risk" countries are those with mortality rates for under-fives of more than 10 per 1000 under-five, or more than 2% acute malnutrition (moderate and severe wasting) among under-fives. All other countries are "lower risk".

(j) New in 2010.

External assessments

Nestlé's activities and business principles as well as its impact on the environment and society are reviewed and rated by various sustainability indices. This section contains a summary of the actual results and the answers which have been provided by Nestlé to some of the questionnaires.

SAM Dow Jones Sustainability Index

In 2010 Nestlé once again received Gold Class ranking and featured in the [SAM Sustainability Yearbook 2011](#). Each year, the 2,500 largest companies in the world are invited to participate in SAM's Corporate Sustainability Assessment. This year there is also an interview with José Lopez, Executive Vice President Operations at Nestlé. Read the full interview on [page 23](#).

Full details about the Dow Jones Sustainability Index are available on the [SAM website](#).



- [SAM Corporate Sustainability Assessment Questionnaire - 2010 \(pdf, 368 Kb\)](#)
- [SAM Corporate Sustainability Assessment Benchmarking Report - 2010 \(pdf, 67 Kb\)](#)

2009 and before

In 2009 Nestlé received Gold Class ranking in the SAM Sustainability Yearbook 2009. Nestlé was one of two food companies to attain this level. The SAM Sustainability Yearbook is one of the world's most comprehensive publications on corporate sustainability. Each year, the 2,500 largest companies in the world are invited to participate in SAM's Corporate Sustainability Assessment. Only the top-scoring 15% of companies in each sector assessed are eligible for inclusion in the Sustainability Yearbook.



- [SAM Corporate Sustainability Assessment Questionnaire - 2009 \(pdf, 423 Kb\)](#)
- [SAM Sustainability Yearbook 2009 \(pdf, 2 Mb\)](#)
- [SAM Corporate Sustainability Assessment Results and analysis - 2008 \(pdf, 186 Kb\)](#)
- [SAM Corporate Sustainability Assessment Questionnaire - 2008 \(pdf, 209 Kb\)](#)
- [SAM Corporate Sustainability Assessment Questionnaire - 2007 \(pdf, 239 Kb\)](#)

Climate Leadership Index: 75

- [Greenhouse Gas Emissions Questionnaire - May 2008 \(pdf, 95 Kb\)](#)
- [Greenhouse Gas Emissions Questionnaire - May 2007 \(pdf, 75 Kb\)](#)
- [Greenhouse Gas Emissions Questionnaire - May 2006 \(pdf, 34 Kb\)](#)

Recognition from other third parties:



Nutrition

Please find below an update of our 2010 performance in the area of Nutrition. It summarises the information that has been updated in the [CSV section](#) of our website, including Key Performance Indicators and associated commentary, since our 2009 CSV report.

A full table of [Key Performance Indicators](#) is also available online.

Overview

Context

As the world's leading Nutrition, Health and Wellness Company, with total Group sales of CHF 109 722 million, we believe that the future of our Company lies in helping people to eat a healthier diet, whether the problem is deficiency in vitamins and minerals at one end of the spectrum, or obesity at the other. These global challenges influence our initiatives to bring nutrition solutions to all segments of society. Key challenges include how to address those at the base of the income pyramid.

Our goals

Our Nutrition, Health and Wellness strategy, developed over 140 years, is based on our assessment that nutritional awareness and the desire for improved health and wellness will increasingly drive consumer choice. Using science-based solutions, we seek to improve quality of life through food and diet, contributing to the health and wellbeing of consumers, including those with specific nutritional needs and those at the "base of the income pyramid" through products with higher nutritional value at lower prices. We also aim to generate greater awareness, knowledge and understanding among consumers through clear, responsible communication. To help guide Nestlé strategy in nutrition, the Nestlé Nutrition Council – a council of internationally recognised experts, chaired by Executive Vice President Werner Bauer – meets regularly with Nestlé management to consider key topics in nutrition relevant to Nestlé business interests.

Our actions

We invest in continuous development and improvement in the nutrition profile of products in all categories and in the strengthening of our recipe database management for finer nutrition analysis and tracking. We continue to reduce the salt, sugar, trans fatty acid, saturated fat and artificial colourings they contain, adding more nutritious ingredients and beneficial micronutrients, providing appropriate portion guidance, and making nutritious, high-quality food affordable and available to lower-income consumers. We also ensure we sell and market infant formula responsibly, strictly following the World Health Organization (WHO) Code in developing countries. We advertise healthier products to children and have introduced new procedures and approval processes to regulate the Nutrition, Health and Wellness, environmental and sustainability claims of our brands.



Nadeesha Chandrasekera,
Consumer Services Manager, NLPLC
 pictured with **Vasanthi Pathiraja**
 (pictured with her daughter **Vasitha**)

Our performance

We continue to innovate and renovate products for nutrition or health considerations, in line with our own profiling criteria and reduction policies, and extended nutrition-based labelling on our product packaging. We increased employee training on nutritional knowledge and improved training of infant formula marketing staff. We also increased sales of our Popularly Positioned Products (PPPs) for lower-income consumers.

CSV summary

- **Value for Nestlé:** deeper understanding of nutrition and health issues as well as fruitful collaborations with various stakeholders, both informing our innovation and renovation efforts, brand awareness and recognition; consumer loyalty; long-term enhanced growth, market share and profitability.
- **Value for society:** greater access to safe, high-quality, responsibly produced, nutritious food; greater knowledge of health issues, better understanding of how to use Nestlé products as part of a healthy and enjoyable diet.

Making nutrition the preferred choice

Nestlé strongly believes that healthy diets must be enjoyable to be sustained, but combining superior taste and superior nutrition in the same product can be challenging. By continuously investing in better consumer understanding, as well as product innovation and renovation, we can enhance both the taste and nutritional value of our products through our unique 60/40+ approach.

This proprietary programme has two objectives:

- the preference of at least 60% of a large consumer panel in a blind taste test against the most prominent competitor products (the '60/40' dimension);
- an additional nutritional "plus" where relevant, based on criteria recommended by world-renowned nutrition and health authorities, the product's role in the diet, consumers' needs and local public health priorities.

These two dimensions are managed together, not as either/or options. The assessments are conducted locally to ensure that wherever Nestlé operates, it is the nutritional needs of the local consumer that dictate the formulation of our products.

The programme is applied to a rolling selection of products each year, across all our 18 food and beverage categories, and we maximise its impact on consumer health by prioritising our best-selling products. Our advertising efforts then focus on those products which have successfully "won" in terms of taste and nutrition, to ensure our better nutrition proposition is made visible to consumers in the market.

We have continued driving our 60/40+ programme in 2010, focusing even more on increasing portfolio coverage and confirming the consumer preference for our products, while ensuring these products bring superior nutrition where relevant. Also, we implemented a reporting approach that better reflects the dynamic nature of our programme.

In 2010, products that had been thoroughly assessed – and improved where needed – amounted to a total sales value of CHF 36.4 billion [KPI]. Assessment results are valid for a maximum of three years and only if all parameters remain equal. Within the reported sales value, some products have been frequently reassessed. A comparable KPI for 2009 would be CHF 32.9 billion, which equates to an increase of 10% for 2010.



Nutritional profiling of our product portfolio

Although only a subset of the entire product portfolio undergoes a full 60/40+ assessment each year – to confirm the taste is preferred and that the nutritional proposition is superior to competitor products – Nestlé is keen to attain and maintain full clarity on the nutritional value of its products.

To analyse their nutritional profile, each product is measured against a set of criteria, which is regularly updated in line with the available recommendations for dietary intakes issued by authorities such as the World Health Organization (WHO) and the US Institute of Medicine. The criteria for every product are established on the basis of four principles:

- the role of the product in a balanced diet;
- relevant nutritional factors (such as calories, fat, added sugar, calcium, whole grain, etc);
- thresholds for each of these factors;
- the individual serving as consumed by the intended consumer, adults and/or children.

Products meeting or exceeding all criteria are said to achieve the Nestlé Nutritional Foundation (NF), and are considered appropriate choices in the context of a balanced diet for the majority of people, even when consumed regularly. If a product that does not achieve the Nestlé NF is consumed frequently, the consumer's diet may need to be rebalanced by other dietary choices; frequent consumption of salty snacks, for example, would require moderation in the use of salt and other salty foods.

Nearly all Nestlé product categories (apart from highly regulated categories such as infant formulas, specific healthcare and performance nutrition products, and products developed by joint ventures), are assessed in this way. In 2010, 69.9% of our total food and beverage sales were for products that had been analysed against the Nestlé Nutritional Profiling System. Of those products, 73.2% [KPI] met or exceeded the required standards and attained the Nestlé Nutritional Foundation status. As we launch new products and continue renovating our existing ones, our ambition is to continue progressing. However, we do not aim for 100% of our portfolio as some products in our very diverse ranges are meant to bring more indulgent choices to the table, such as for festive occasions, for example. In addition, products not meeting a threshold for one nutrient, like sodium or sugar, may nonetheless provide important quantities of protein, vitamins and minerals.

The Nestlé Nutritional Profiling System

Nestlé's worldwide strategy is to offer products that meet consumer taste preference and provide nutritional value. Nestlé has established a rigorous system to assess the nutrient profile of its products called the Nestlé Nutritional Profiling System. Read the [full version](#).

For more information on the product categories and sets of criteria of the Nestlé Nutritional Profiling System visit our [Nestlé Research website](#).



Delivering against our nutrition policies

Since 2003, Nestlé has issued mandatory policies to reduce the level in its products of specific nutrients that are considered to be detrimental to health when consumed in excess. We are the first company within the food industry to have comprehensive policies in place for the systematic reduction of all public-health sensitive nutrients: trans fatty acids (issued in 2003), salt (2005), sugar (2007) and saturated fats (2009).

To further accelerate our nutrition renovation efforts, we are developing a Recipe Management System to match the vast scope of our product range, both geographically and qualitatively, and our ambitious Nutrition, Health and Wellness goals. The current method of monitoring the level of sensitive nutrients is currently being replaced by this new system, designed to track accurately a wide variety of nutrition and health specifics at a global level.

The recipe database, which is still in the process of being implemented and populated with detailed ingredient information, will overcome the current difficulties in assembling data on the removal of trans fatty acids, salt, sugar and saturated fats in Nestlé markets throughout the world.

Our product development teams pursue recipe reformulations relentlessly, delivering against public health priorities in the various regions in which we operate. In 2010, an additional 6502 products have been renovated resulting in nutritional improvement (7252 in 2009) [KPI]. Of those, 2655 now contain less sodium, sugars, trans fatty acids, total fat or artificial colours [KPI], and 3847 bring more essential nutrients or nutritious ingredients to consumers, such as vitamins, prebiotics, vegetables and many more [KPI].

A large proportion of product renovations to remove trans fatty acids and artificial colours had been completed by the end of 2009, whereas renovations resulting in increased nutritional value have grown by 47% since 2007.



Popularly Positioned Products

Nestlé's objective is to provide consumers with nutritious products regardless of where we sell them and for how much. Our 4860 PPPs [KPI] provide those people at or near the bottom of the income pyramid with affordable food products.

The key to expanding our PPP portfolio is the application of new food and nutrition technology to deliver products that provide nutritional value at a reduced cost and appropriate serving size. A range of locally adapted distribution methods, including street markets, mobile street vendors and door-to-door distributors, not only creates local jobs but improves our market penetration, helping to generate worldwide sales of PPPs to the value of CHF 11 billion in 2010 [KPI].

For example, in Turkey, *Maggi* has introduced a small dispensing machine in its "mom and pop" stores, allowing consumers to buy seasoning fortified with iodine and iron at a lower price point. And in Thailand, the "Nescafé Street Barista" scheme enables prospective entrepreneurs to get a loan for a coffee cart through the state-owned microcredit system run by the Bank for Agriculture and Agricultural Cooperatives. Eight business owners have already been provided with carts and started their own businesses.

Nestlé has also been helping those who want to establish their own businesses in the Philippines. Through the Nestlé ice-cream street-selling programme, Nestlé invests in freezers, vending carts and motorbikes, small and medium-sized entrepreneurs – known as micro-distributors – provide the capital and the *sorbeteros* (ice-cream street vendors) can purchase the products to sell.



Portion guidance for a balanced diet

Guiding consumers about healthier portion sizes has also driven the development and deployment of the Nestlé Nutritional Compass, a unique labelling scheme appearing on the back of 97.1% of all our packs at end 2010 [KPI]. This goes beyond basic nutrient declarations, for instance by outlining ways of balancing the product in the overall diet. As Nestlé develops and/or acquires new businesses, and as new products replace previous ones and packaging is redesigned, maintaining this labeling on virtually all our packs is a renewed achievement every single year.

For several years now, Nestlé has been actively working on this important public health priority, and with Pleasure, Balance and Understanding defining its Nutrition, Health and Wellness approach, the Company is best placed to provide trustworthy guidance to consumers.

Exact portion definition is, of course, paramount in several Nestlé product categories such as healthcare nutrition, infant nutrition, performance nutrition and Jenny Craig branded products and services, where education about the volumetric and satiety effect of various foods and beverages is an integral part of the energy management benefit brought to consumers by Nestlé.

Prudent estimates indicate that additional portion guidance efforts apply to Nestlé products representing sales of at least CHF 21.3 billion [KPI] at the end of 2010, which again puts the Company in a leading role in terms of Nutrition, Health and Wellness within the food and beverage industry. This includes products sold as single servings, meeting our rigorous Nutritional Foundation (NF) criteria on all counts (including sodium or fibre, for example), sold with or via a device/equipment delivering a serving that meets all NF criteria, or sold to caregivers with detailed instructions on adjusting servings to evolving nutritional needs. We continue to review our entire portfolio to identify and implement further portion guidance.

In 2010, we have developed a portion guidance framework to accelerate our initiatives and in the coming years, we will keep reaching out to consumers in more relevant ways to support their efforts to balance their diets.



Specific nutritional needs: malnutrition in older people

With the decline in infectious disease and improved medical care, the older population is growing faster than any other segment. Older people have unique nutritional needs, which are often not met due to chronic disease and the ageing process, leading to malnutrition. In Europe alone, the costs associated with the condition are approximately €70 billion, which makes malnutrition a major global healthcare issue.

Malnutrition in the elderly is particularly prevalent; up to 50% of residents in nursing homes and up to 70% of elderly hospitalised patients are malnourished, leading to lower quality of life, decreased independence, more frequent and longer hospital stays, due to weaker immune systems and slower recovery from illness, and eventually death.

Screening tools can help to identify malnourished elderly people, or those at risk of malnutrition, at an early stage, allowing for nutritional intervention that can make a difference. Nestlé Nutrition, in conjunction with leading geriatricians, has developed a well validated, easy-to-use screening tool specifically designed for the elderly population: the Mini-Nutritional Assessment (MNA®). The MNA® can be used in the community, in clinics, nursing homes and hospitals, and is widely recommended by national and international organisations for nutrition screening of older people. The MNA® questionnaire does not require any biochemical measurements or invasive procedures. For more information, please visit the Mini Nutritional Assessment website.

In October 2009, a new Mini-Nutritional Assessment Short Form (MNA®-SF) was fully validated and the corresponding data published in the *Journal of Nutrition Health & Aging*. This new tool classifies people into three status categories: well nourished, at risk for malnutrition and malnourished. The form can be completed in less than five minutes, compared to 10–15 minutes for the full MNA®, facilitating its wider use in standard healthcare environments. It also incorporates an option for using calf circumference where a BMI measurement is not possible or difficult due to logistical or cultural reasons. International data has already been gathered from more than 6000 elderly subjects in various care settings, from community living and nursing homes to hospitals and rehabilitation units.

The importance of such screening tools was also discussed at two Nestlé Nutrition Institute-sponsored symposia: the IAGG World Congress of Gerontology and Geriatrics in July 2009 in Paris; and the ESPEN Congress of the European Society for Clinical Nutrition and Metabolism in August 2009 in Vienna.

Nestlé Nutrition, with sales worth CHF 10 366 million in 2010 [KPI] (2009: CHF 9 963 million), is working to enhance quality of life by supporting health and providing care for people with special nutrition needs. Nestlé Nutrition has an innovative portfolio of products with scientifically proven nutritional benefits. Its strong foundation in science is underpinned by a global R&D network to find specific solutions for complex nutritional needs – translating science into products that deliver functional health benefits.



Nutritional information for consumers

We need to communicate responsibly to consumers, particularly to children, so all Nestlé companies are required to abide by the Nestlé Consumer Communication Principles, over and above any applicable laws.

As part of our overall responsibilities, we participate in local, regional and national [nutrition education programmes](#), provide nutrition information on our website and we use clear, user-friendly on-pack labelling, such as the Nestlé Nutritional Compass. This information panel helps consumers make more informed decisions about the food they eat through four elements: a standardised nutrient table; explanations of the ingredients and nutrients the product contains; tips for responsible product enjoyment; and contact details and links to more information.

By December 2009, the Nestlé Nutritional Compass appeared on product packaging representing 98% of our total sales volume around the world [KPI]. Even with our high rate of new product launches, we have maintained this level from last year. In addition to maintaining this high coverage, we are constantly reviewing and renewing the Nutrition, Health and Wellness messages featured in the 'Good to know' and 'Good to remember' parts of this proprietary labelling scheme. Based on consumer insights, as well as nutrition facts and priorities, we continue to ensure that fresh and relevant nutrition information reaches consumers at the point of purchase in each market where we operate.

In Europe, the Nestlé Nutritional Compass has been adapted to feature a complete Guideline Daily Amounts (GDA) table for the "big 8" nutrients (energy, carbohydrates, proteins, fats, sugars, saturated fats, sodium and fibre). GDA labelling was developed by the CIAA (the European Confederation of the Food and Drink Industries) as a voluntary nutrition labelling scheme, but their inclusion is Nestlé policy and essential if a health or nutrition claim is made.

At the end of 2010, the GDA indication for energy featured on the front of pack of 98.7% of our products in Europe (in sales value) compared to 91% in 2009 [KPI]. This is in line with the CIAA's long-term EU-wide target of 100%. The front-of-pack information is systematically complemented with additional GDA values in a nutrition table on back of pack for these same products, thus providing consumers with the appropriate information to contextualise and make informed choices.



Responsible advertising and marketing

Principles concerning appropriate communication with consumers have been part of Nestlé's [Corporate Business Principles](#) since they were first published in 1999. Nestlé's wider [Consumer Communication Principles](#):

- encourage moderation, healthy eating habits and physical activity and, in the case of children, without undermining the authority of parents or creating unrealistic expectations of popularity or success;
- are required reference points for all marketing staff and advertising agencies.

Responsible advertising to, and communication with, children are a specific part of these Principles, including two important provisions, preventing advertising or marketing activity directed at children under six years old, and restricting advertising for children aged 6–12 to only those products that help them to achieve a healthy balanced diet, including clear limits for sugar, salt and fat contents.

Nestlé has developed a set of "Implementation Guidelines" and a monitoring system to ensure compliance with the Consumer Communication Principles. Download the [Nestlé commitment to the EU Pledge on Advertising to Children](#).

In light of regulatory developments worldwide and increasing consumer interest, Nestlé has reviewed and reinforced its internal approach to the development and validation of nutrition and health claims. A 'General Instruction' document describing all mandatory procedures was published and promoted across the Company in late 2008. A detailed Claim Development Standard was then issued in 2009, examining consumer understanding issues, rigorous scientific validation procedures, and multifunctional teamwork and responsibilities. Deployment of more comprehensive tools and training for all marketing staff is ongoing.

99.5%

We maintained tight control of our media planning and buying, in an aim to retain close to 100% compliance at the end of the year [KPI]. In line with our commitment, in 2010, we extended our monitoring efforts to also track advertising to children aged 6–12 for brands that achieve the Nestlé Nutritional Foundation.

Infant food marketing

Nestlé believes in the superiority of breastfeeding and recognises that the World Health Organization's (WHO) International Code of Marketing of Breast-milk Substitutes is an important instrument for the protection of it, particularly in countries where poor sanitary, economic and social conditions prevail. Read more on the [WHO Code of Marketing](#).

Nestlé sells and markets infant formula products responsibly, and we voluntarily and unilaterally apply the WHO Code in all developing countries. To ensure compliance with the WHO Code, Nestlé has developed a unique global management system, which includes the following aspects.

For more information about infant formula download the following document: [Nestlé Infant Formula Policy](#).

Nestlé WHO Code Quality Assurance System

This has been implemented in all developing countries where Nestlé operates and is built along the lines of ISO quality assurance systems. The manual, outlining Nestlé policies and procedures, gives detailed operational guidelines to all Nestlé employees in their daily conduct of business related to infant formula to ensure compliance at all levels with both the WHO Code of Marketing of Breast-milk Substitutes and local regulations.

Training, testing and compensation on WHO Code knowledge

Nestlé trains relevant Nestlé Nutrition personnel on the WHO Code. They are tested regularly on their knowledge, and their performance is a criterion upon which salary increases and promotions are based.

In 2010, 100% of Nestlé Nutrition staff involved in infant formula marketing in developing countries received specific WHO Code training [KPI]. Additional materials have been developed to facilitate guidance to marketing staff, including a web-based training and testing tool that enables Infant Nutrition medical delegates to have access to training on Code knowledge on a continual basis.

Audits

In addition to 21 internal audits in 2009, Nestlé commissioned Bureau Veritas, a major global auditing and certification company, to conduct independent Code compliance audits in Ecuador, El Salvador and Brazil.

Read more about our implementation of the Code at the [Babymilk website](#).



Case study

Personalised health science nutrition from Nestlé



The creation of two new organisations to pioneer a new industry between food and pharmaceuticals will enable Nestlé to develop personalised health science nutrition to prevent and treat conditions such as diabetes, obesity, cardiovascular disease and Alzheimer's disease.

Nestlé Health Science S.A., a wholly owned subsidiary, became operational in January 2011. It incorporates the global Nestlé HealthCare Nutrition business, and will have access to external scientific and technological know-how through Nestlé's innovation network, as well as a number of venture capital funds in which the group has interests.

The Nestlé Institute of Health Sciences will be part of Nestlé's global R&D network. Nestlé will invest hundreds of millions of Swiss francs over the next decade to build a world-class Institute of Health Sciences, which will conduct research in relevant areas of biomedical science to translate this knowledge into nutritional strategies to improve health and longevity. The Institute will be based in the multi-disciplinary scientific environment of the Swiss Federal Institute of Technology (EPFL) in Lausanne, where Nestlé is already involved in two life science initiatives.

"The combination of health economics, changing demographics and advances in health science show that our existing healthcare systems, which focus on treating sick people, are not sustainable and need redesigning. Nestlé has the expertise, the science, the resources and the organisation to play a major role in seeking alternative solutions. Personalised health science nutrition is about finding efficient and cost-effective ways to prevent and treat acute and chronic diseases in the 21st century."

Peter Brabeck-Letmathe, Chairman, Nestlé S.A.

"The creation of Nestlé Health Science S.A. and the Nestlé Institute of Health Sciences is the best way to focus our attention and organise our unique capabilities and competencies to seize this promising business opportunity. The new set-up will give us a pioneering and leading role in this entirely new industry, while at the same time allowing us to keep the necessary focus on Nestlé's extremely important food, beverages and nutrition business."

Paul Bulcke, CEO, Nestlé S.A.



Water and environmental sustainability

Please find below an update of our 2010 performance in the area of Water and environmental sustainability. It summarises the information that has been updated in the [CSV section](#) of our website, including Key Performance Indicators and associated commentary, since our 2009 CSV report.

A full table of [Key Performance Indicators](#) is also available online.

Overview

Context

Globally, the combination of population growth, increasing affluence and lifestyle patterns are outstripping the planet's ability to bear the effects of human activity. We believe that we are facing a serious water crisis in the coming years that will have serious consequences for food security. The food chain, from agriculture to manufacturing and consumption, contributes significantly to water quality and availability, climate change, energy use, biodiversity and soil quality, and air quality. At the same time, it is heavily dependent upon all these environmental resources. As an example, the availability and accessibility of fresh water already affects our business, and we also expect to see the consequences of climate change on our operations over the next decades.

Our goals

Our ambition is to produce tasty and nutritious food and beverages that also have the best environmental footprint, so we strive to continuously improve our operational efficiency and environmental performance. We apply a life cycle approach to assess the impacts of our own operations and those along the wider value chain from farm to fork, thereby contributing to a better future and Creating Shared Value to both Nestlé and society.

Our actions

We invested over CHF 175 million in environmental sustainability programmes and initiatives during 2010. We continue to identify and implement projects to reduce our use of water, non-renewable energy and other natural resources, to reduce emissions of greenhouse gases (GHGs), to eliminate waste and to improve the environmental performance of our packaging. We also work alongside our suppliers to promote more sustainable practices in our supply chain, including the promotion of water stewardship. In 2010, we carried out pilot Biodiversity Assessments in our Nestlé Waters Plant in Viladrau, Spain, which is located in a naturally protected environment as well as our confectionery plant in Fawdon, UK. With this action, we were among the first companies in Europe that engaged in such assessments on their premises.



Benjamin Ware, sourcing specialist, Nestlé pictured with Alessandro Piva, Agronomic Service Manager, Consorzio Interregionale Ortofrutticoli (CIO) Cooperative



Our performance

We continued to make improvements in our water consumption and CO₂ emissions performance through reduced energy consumption following operational energy efficiency measures and a move towards renewable energy sources. More waste is being diverted from disposal to landfill and incinerators without energy recovery. Two additional manufacturing sites, in the UK, managed to find alternative uses for manufacturing by-products, thus diverting them from disposal to landfill or incineration without energy recovery. A continued focus on packaging optimisation remains a priority.

For more information, download the following documents:

- [Nestlé Environmental Performance Indicators 2010 \(xls, 70 Kb\)](#)
- [Definitions and comments on Environmental Performance Indicators 2010 \(pdf, 513 Kb\)](#)

CSV summary

- **Value for Nestlé:** continuously improving environmental performance; efficient operations; reduced risks; resource and cost savings; long-term availability of raw materials and water; sustainable, profitable growth.
- **Value for society:** raising of environmental standards; higher incomes; better standards of living; improved food security.



Compliance with sustainable business practices

Environmental management

The Nestlé Environmental Management System has been implemented throughout the Company since 1996, helping us to achieve continuous performance improvement and contribute towards sustainable development.

By year-end 2010, 91% [KPI] of our factories achieved certification against the two internationally recognized standards for environmental management (ISO 14.001) and occupational health and safety management (OHSAS 18.001). The remaining 9% include new factories and acquisitions which are currently in the process of preparation for certification.

We are now extending the certification programme beyond our manufacturing sites to our distribution centers and to our Research & Development centres. We set a target of 95 sites to be certified to both standards (ISO 14001 and OHSAS 18001) by year-end 2011, and we are encouraging our business partners to apply similar standards.

Further reinforcing our governance structure to integrate sustainability throughout the Company, the Operations Sustainability Council, chaired by Executive Vice President of Operations José Lopez, has met monthly since 2007. The council reports into the CSV Alignment Board, as do the Brands and CSV Advisory Group, which guides best practice in communicating our initiatives to consumers, chaired by Head of Marketing and Communication Tom Buday, and the Research & Development sustainability council, chaired by Chief Technology Officer Werner Bauer.

Driving operational excellence

Our commitment to occupational safety, health and environmental sustainability is integrated into Nestlé Continuous Excellence (NCE), the core of our strategy to drive operational efficiency across the entire value chain.

The overriding goal of NCE is to engage employees' hearts and minds in a consumer-driven war on waste. Its three main principles are:

- **excelling in compliance:** this includes complying with legal and strict Nestlé internal requirements at all times;
- **delighting our consumers:** Creating Shared Value and sustainability are increasingly becoming a driver for product development, and sharing our aims and achievements with consumers through brand and product communications;
- **driving competitive advantage:** for example, making progress towards our ambitions for zero waste and zero accidents, and improving water efficiency and energy efficiency.

More details on NCE and operational efficiency can be found in [Our people](#).

Engagement and leadership

After years of efforts, the Nestlé Group has improved its safety performance through reinforcing workplace safety, establishing management systems and promoting safety as a fundamental element of the Nestlé culture. Leadership has been identified as a key element in taking safety to a new level, and seminars to increase managerial awareness, capabilities and commitment to safety leadership have been organised across Nestlé businesses and geographies.



Environmental sustainability: a life cycle approach

To better understand and to optimise the environmental performance of our products, we apply a life cycle approach, systematically assessing our product categories along the whole value chain.

LCA examples and their contributions

We have been conducting Life Cycle Assessments (LCAs) to identify the environmental impacts of our major product categories, including their packaging. This process, which considers the production of agricultural raw materials, product manufacturing, packaging, distribution, consumption and end-of-life, enables us to work with our business partners to continuously improve the environmental performance of our products.

For example, the LCA of *Nescafé Classic* – including a comparison with drip-filter coffee, as published in the *Journal of Cleaner Production* –, found that approximately 50% of total energy use occurs during the consumption phase. The study also showed that overall, *Nescafé Classic* uses about half the energy, emits about half the greenhouse gases and consumes about two-thirds of the amount of water of drip-filter coffee.

The study contributed to the definition of the [Nescafé Plan](#) focusing on three areas: responsible farming, responsible production and responsible consumption.

Nestlé has also used LCAs to develop its CSV and environmental sustainability strategy for the Prepared Dishes and Cooking Aids Strategic Business Unit. According to the LCAs of six representative products, sourcing (farming and transport to factories) has the most significant environmental impact, followed by distribution in the Frozen Food category and consumer use in the Ambient category. Waste has been identified as a key focus area and must be avoided along the whole life cycle.

Based on the LCA findings, the top five objectives of the business have been established as follows:

- promote the roll-out of footprint assessments to identify key contributors at a local level, with the aim of improving our total footprint;
- reduce waste and water usage across the whole value chain;
- promote sourcing based on the selection of the best suppliers, helping them to develop the best agricultural practices, making the right ingredient selections, providing the best quality and promoting locally grown products as part of our social responsibility, provided it also brings an environmental advantage;
- reduce our packaging footprint and use PIQET (Packaging Impact Quick Evaluation Tool) to help select better alternatives;
- reduce the environmental impacts of distribution through transport optimisation and the promotion of best supply chain networks.

Our ambition is to further assess the environmental performance of our products and identify ways in which we, our broader supply chain and our consumers can contribute to a better environment.



Development of Eco-D

To optimise the environmental performance of our products, Nestlé launched the development of Eco-D, an eco-design tool, partnering with recognised LCA scientists and experts. This tool will take into account the entire life cycle of our products, with relevant environmental indicators including greenhouse gas emission, non-renewable energy use and water consumption. The tool is intended for non-expert use, so it will benefit from a user-friendly interface and will generate results in a very short time. Eco-D is an extension of our packaging eco-design tool PIQET (Packaging Impact Quick Evaluation Tool), from the analysis of packaging to the entire product.

Leading multi-stakeholder initiatives

Nestlé actively participates in different multi-stakeholder LCA-related initiatives. For example, Nestlé France and Nestlé Waters France have voluntarily submitted proposals on different product categories to participate in the French national experimentation on environmental product information display. This will enable us to test different environmental assessment methodologies of consumer goods along their life cycles, and various consumer communication approaches on a large scale.

Nestlé also co-chairs, together with the European Commission, the steering committee of the European Round Table on Food Sustainable Consumption and Production, which aims in particular at developing a harmonised methodology for the assessment of environmental performance of food products.



Water: the global context

In recent years, water has been increasingly recognised as equal to climate change as a pressing environmental issue. Even though we have enough fresh water at a global level, in many parts of the world – India, Pakistan, China, southern Europe and the south-western parts of the United States – more water is withdrawn than is being naturally replenished.

The key challenge is that more than two-thirds of all water is withdrawn by agriculture, so it is the future of agriculture and food security that is at stake if we are not able to solve the world's water crisis.

“Global drying”

- 25% of the world's population already lives under water stress (less than 1700 m³/person/year)
- If present trends continue, 5 billion people will live in water-scarce areas by 2025
- By 2050, household water needs are predicted to rise by 61%, and agricultural needs by 140%
- In parts of Gujarat, India, the water table is dropping up to six metres per year.

Everyone – policy makers, industry, agriculture and consumers – can help to improve the sustainability of our water resource, and Nestlé is a leader in this regard. Nestlé's long-term success depends on the water resources that supply our everyday business operations and support the livelihoods of suppliers and consumers, making effective water resource management one of the three key focus areas of Creating Shared Value.

We rely on access to clean water to make quality products and we have adopted rigorous standards to reduce water consumption at our plants and facilities. However, water in the supply chain remains the greater challenge, so we invest in helping farmers become better stewards of water, support water resource awareness and education programmes and participate in global dialogue with leading experts and policymakers.



Public policy engagement and collective action

Nestlé is a committed leader in the public policy debate on restoring the balance between water withdrawals and the availability of naturally renewed water. In 2009, we led a joint project, which included the International Finance Corporation of the World Bank Group and McKinsey, producing *Charting Our Water Future: A new economic framework to decision making* in November 2009.

This cross-sector analysis measured actual abstraction for human use against existing accessible, reliable and sustainable supply in watersheds, leading to a comprehensive understanding of water overuse at national and global levels. The effectiveness and cost of various ways to reduce that overuse were then compared, so that decisions on water management can be integrated into wider economic decisions.

Nestlé has led the follow-up work to implement the findings of the study in specific watersheds and countries. The activities of this second phase engage various governments that wish to work progressively on water sector reform strategies. At the invitation of government, the work – building on that of the 2030 Water Resources Group – gathers comprehensive data on the water supply/demand balance each country faces to 2030 and the options available to address any gaps. The government will then develop its own water strategy before country-level support is undertaken.

Multidisciplinary assistance is offered through a public–private advisory platform that helps the government shape and test concepts and governance processes. The overall objective is to improve water resource management in a river basin, country or region, and use this to inform national or regional water adaptation planning. The country-level support will likely entail the establishment of a nationally run multidisciplinary contact group to work with government to help it implement the agreed approach.

By the end of 2011, through some country-level examples, it is hoped that this approach can be proven and both governments and local stakeholders accept it. This “proof of concept” will help the design and launch of a new public–private entity to undertake such work in the long run.

As a founding signatory of the CEO Water Mandate, an initiative led by the United Nations Global Compact, we are committed to improving and regularly reporting our efforts in these areas.

In 2010, the UN Global Compact’s CEO Water Mandate published a Framework for Responsible Policy Engagement, as well as a full Guide on Responsible Business and Water Policy. Furthermore, the Mandate produced a White Paper on the Right to Water. Nestlé continued to be one of the leading companies within the Mandate and has been active in all three work streams on Policy Engagement, Water Disclosure and Human Right to Water. In 2010, the Mandate held two Working Conferences in New York and Cape Town, as well as an Information Conference in Stockholm. The Cape Town event was accompanied by a joint World Economic Forum, WWF and CEO Water Mandate Multi-stakeholder Conference, which featured prominent presentations by senior Nestlé management.

Nestlé played an active role in the last four World Water Weeks in Stockholm, at which experts, practitioners, decision-makers and leaders from around the globe exchange ideas, foster new thinking and develop innovative solutions. Nestlé, which also works with the Swiss Development Agency and a consortium of Swiss companies in Colombia to assess their water footprints, has helped to put water high on the agenda of the World Economic Forum, is a member of the Water Footprint Network and supports the work on the new ISO 14046 Standard on Water Footprinting.

In June 2010, Nestlé was one of the first companies to recognise the Right to Water – see [Nestlé Corporate Business Principles](#) – even before the formalisation of this right by the relevant UN authorities later in the year, and closely follows the work of the UN Independent Expert on the Right to Water.

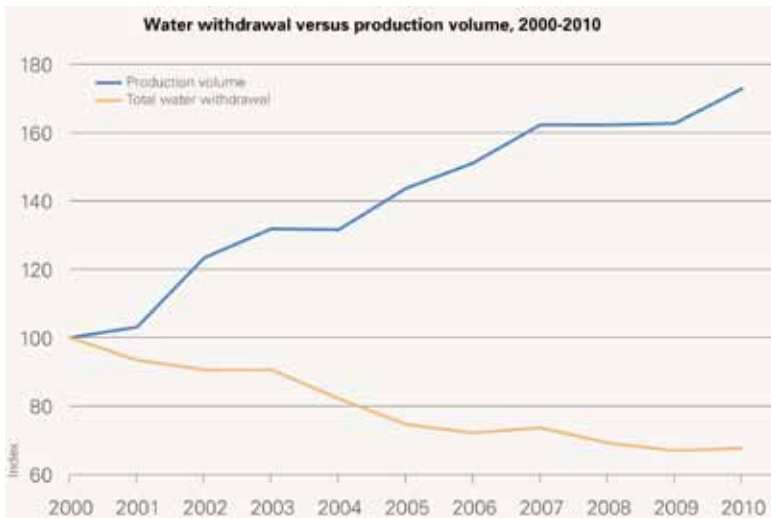


Our performance: direct operations

Nestlé aims to be the most efficient water user among food manufacturers. In 2010, the Company withdrew 144 million m³ of water [KPI]. This equates to 3.29 m³ per tonne of product [KPI], 5% down on the 2009 level or 5.3% when adjusted for constant production volume; the difference coming from changes in product mix evolving towards products with more added value, and from acquisitions and divestitures.

As shown in the graph below, Nestlé has reduced its water withdrawal by 32% since 2000, while our food and beverage production volume increased by 73%. This reflects:

- water reduction initiatives at factory level, which form part of the continuous improvement efforts driven by Nestlé Continuous Excellence (NCE);
- changes in our product mix reflecting an overall strategy towards more value-added products;
- changes resulting from acquisitions and divestitures.



Our total water withdrawal rate has been improving over recent years as a result of both extensive efforts by Nestlé engineers, environmental professionals and our employees to reduce water consumption in our operations, and the changing product mix within Nestlé’s portfolio. Our goal is to reduce consumption on a comparable basis by a further 10–15% over the next five years.

In the face of growing concerns regarding water scarcity and its impact, especially on farmers (and with estimates that the livelihoods of one-third of the world’s population will be affected by water scarcity by 2025), Nestlé’s focus has evolved from simply reducing our water withdrawal in our operations to prioritising our efforts and investments to where water is especially scarce. Most of the water we withdraw is returned back to nature, including the water treated in our wastewater treatment plants.



- Creating Shared Value at Nestlé
- About our reporting
- Reporting performance
- Nutrition
- Water and environmental sustainability**
- Rural development
- Our people

Global freshwater consumption

70%	Agriculture
20%	Industry
10%	Domestic
0.004%	Nestlé
0.0009%	Nestlé Waters

While being the world’s leading bottled water company, Nestlé Waters only uses 0.0009% of the world’s total withdrawn water (see table above). More than half of that total goes directly into our 67 bottled water brands – the rest is used for operational processes and cleaning – and the amount of additional water needed to produce a litre of bottled water is now 0.65 litres, 34% less than in 2005 [KPI].

To increase the transparency of our actions in the area of water, we were among the first companies to contribute to the Carbon Disclosure Project’s (CDP) Water Disclosure report in 2010. The full report is available on the [CDP homepage](#).

Nestlé is also a founding signatory of the UN Global Compact’s [CEO Water Mandate](#), and has provided a Communication on Progress on water since 2009.



Water Resources Review

The long-term supply of water with high quality and sufficient quantity is essential for our factories. To raise awareness at a local operational level, identify key issues and risks, and devise action plans for more sustainable water use, especially in water-stressed or water-scarce areas, our Water Resources Review (WRR) programme focuses on five areas: water quantity; water quality; regulatory compliance; site protection; and relationships with other stakeholders. Hydrogeological monitoring and possibly aquifer modelling are also used to assess the availability of surface and underground water. The impact of our operations linked to water transportation (pipelines and storage tanks), water treatment and wastewater processes are also analysed.

To date, the WRR has been conducted at 67 Nestlé Waters sites – more than half of its total bottled water facilities – and has also been rolled out to our food factories (21 sites in 2009/10), where its deployment will enable the risks and key issues in local water resources management to be identified, and specific action plans toward sustainable water use to be established. Sites are also being prioritised by their position in our Water Stress Analysis, which in turn is based on external indicators of water poverty, watershed stress and internal local indicators.

Community engagement and dialogue among water users – an increasingly important topic in water resource management globally – is a key component of the water resource strategy for Nestlé Waters North America (NWWA). Even though the sources that supply our regional spring water brands are scientifically monitored and meet requirements for local and state permits, in some cases the Company has sometimes faced controversy as part of its water-siting operations. NWWA understands the importance of this issue, and is working with a variety of local and national stakeholders to better understand their views, and to develop a more open and transparent framework for water resource siting and community engagement.



Water treatment

Because good water quality in the areas surrounding our plants has direct benefits for our business, society and the environment all our water is treated in wastewater treatment plants. Our preference is to use municipal wastewater plants to ensure we return only cleaned water back into the environment, but where these are insufficient, we invest in our own on-site facilities (approximately 292 to date, including our latest in Tema, Ghana). In many countries, Nestlé was the first company to set up a wastewater treatment facility and while these investments have added to production costs in the short term, they have led to stricter regulations for all companies over time, thus giving Nestlé the prime-mover advantage.

We remove 97% of the organic load of the water leaving our factories before it is returned to the environment. In 2010, we discharged 93.9 million m³ of water [KPI], with an average level of organic load of 78 mg COD/l [KPI] (Chemical Oxygen Demand per litre).

Our milk powder factory in Mossel Bay, South Africa, has implemented an innovative approach to reusing water from its production process. The production of milk powder is essentially based on the separation of the milk's liquid and solid content. The evaporated water from the production process is therefore collected, treated and re-used for industrial purposes instead of using water from municipal supplies. This process step has helped the factory to more than halve its water usage.

View our case study on how we [halved our water usage in Mossel Bay, South Africa](#).

Supply chain and watershed management

As previously noted, about 70% of the world's available freshwater is withdrawn for agriculture, and an average of 3000 litres is needed to produce one kilogramme of agricultural raw material, compared to less than 4 litres per kilogramme of finished goods for processing those materials into food and beverage products.

There is currently no commonly agreed set of metrics to measure a water footprint. This makes it difficult to accurately measure the impact of industry on water, but we cannot ignore the fact that good global water management is critical to doing business in the long term. *José Lopez, Executive Vice President of Operations, Nestlé.*

Good water management is therefore fundamental to the livelihoods of the 2.6 million farmers who supply us both directly or indirectly through traders; it is also vital to us as a food company, for producing high-quality raw materials and in food processing, and also for the cooking and preparation of many food products by consumers.

Beyond strict monitoring and compliance, we engage in specific water preservation activities with local stakeholders, depending on the local situation and needs.

Since acquiring the *Henniez* brand in Switzerland, Nestlé Waters' ECO-Broye programme is seeking to extend the water resource preservation area for this brand of mineral water from 100 hectares to 400 hectares via partnerships with local farmers. In addition to reducing the potential long-term threats to water and environmental resources and maintaining farmer income, a new biogas digester is also planned to help to protect groundwater resources and "ecological corridors" are being developed with the farmers and a biologist to preserve and stimulate local biodiversity.

In Vittel in France, Nestlé Waters is equally committed to protecting the water resources needed for bottling the prestigious brand *Vittel* and *Contrex*. Elsewhere, Nestlé Waters in Turkey helped to implement pipelines and storage tanks on Mount Uludag to help local villagers to grow pineapples, strawberries, vegetables and other cash crops, and in Greece, Nestlé Waters is studying land use practices around natural springs. Similar initiatives include the protection of water resources in the vineyards around Mendoza in Argentina.

We exchange best practice and guidelines for sustainable water use at a farm level with other food companies and stakeholders, and contribute to programmes through collaborative, food industry-led groups such as the Sustainable Agriculture Initiative (SAI) Platform. These encourage efficient water management practice that impact positively on the quality and quantity of the water resources at a watershed level.

Nestlé is also playing a leading role in a new pilot project in India, led by the Water and Agriculture Working Group at SAI. Run by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), the project seeks to scale up the use of good water management practices and related tools at a farm level, and will focus on a few key commodities including rice, potatoes, tomatoes and fruit.

Moga, in the Indian Punjab, is one of Nestlé's largest milk districts, from which we buy 1.25 million litres of milk a day from 100 000 farmers. However, local water resources are overexploited and the water table is falling by at least one metre a year, which could affect milk supply in the long term.



Together with the International Water Management Institute (IWMI), Nestlé undertook a study of the water footprint of milk, wheat and rice production in the region. The study involved three different phases: measuring the water footprint of the entire farm system; assessing the sustainability of the water footprint of the different crops grown in the area; and developing a comprehensive response using best farming practice to make water use more sustainable resources and ensure the long-term supply of agriculture raw materials.

The analysis of the water footprints for milk and crop production shows that current groundwater use is unsustainable and that water stress is becoming a limiting factor for sustaining agricultural growth. More specifically, the study shows that the local irrigation water footprint of milk production at farm level (565 cubic metres per tonne) is lower than that of rice (1034 cubic metres per tonne), the most widely cultivated crop and the main cause of groundwater exploitation. Milk is also estimated to provide the best gross value of production per hectare of land and per cubic metre of water use.

To reduce water use in Moga, IWMI recommends intensifying milk production by increasing the fodder area, the number of lactating cows and increasing each cow's productivity. It also suggests improving the cultivation and irrigation practices of rice – a very water-intensive crop – to reduce its water footprint. To do so, technologies developed in other regions of the world could be adapted for rice and wheat farmers in Moga.

For example:

- delaying the transplanting of paddy fields reduces evaporation losses by 9%, 140 million cubic metres of groundwater and 11.2 million kWh of energy to pump the water;
- laser-assisted land levelling can reduce groundwater pumping by one-third and improve rice and wheat yields;
- raising the height of retaining “bunds” by 22 cm helps to capture more than 95% of the monsoon rain that falls on rice fields.

Pilot study on water footprint of “Bitesize Shredded Wheat”

As a contribution to the development of water metrics, Nestlé undertook a pilot study to assess the water footprint of one of its products. The pilot study enabled Nestlé to test a methodology for measuring the water footprint of products. This covers all steps along the product life cycle from suppliers to consumers and prepares a basis to measure the products impact on water resources. This data can then be used to help identifying areas of potential impact on water resources. For this study we selected our breakfast cereal “Bitesize Shredded Wheat”, which is made of one single ingredient.

We will use the result as an input for the ongoing development of the [ISO Standard](#) on Water Footprint. This will provide a common methodology recognized worldwide to measure and communicate water footprint of products, processes and organisations.

Read the full report on water footprint of [Nestlé's Bitesize Shredded Wheat](#).



Community engagement in water projects

As well as managing water consumption in our operations and supply chain, we increasingly contribute to sustainable community water management schemes. These help to raise awareness and promote an understanding of water and sanitation issues so that the spread of disease is controlled.

For instance:

- Nestlé has instigated 184 clean drinking water projects in village schools near its factories in South East Asia, benefitting over 100 000 students;
- the water filtration plant at our Kabirwala factory in Pakistan provides clean drinking water to almost 5000 people in the local community;
- we have worked with Aquasure and the French Red Cross in a pilot programme to bring safe drinking water to villages in Senegal;
- in Cambodia, Nestlé Nordic and the Cambodian and Danish Red Cross organisations have helped locals to build eight wells, providing clean drinking water for 1000 people, and educated them about good hygiene and sanitation;
- a joint collaboration with the Lutheran World Federation (LWF) and Inter-Faith Action for Peace in Africa (IFAPA) brings water and sanitation facilities to an estimated 22 000 people in eastern Rwanda; Nestlé provides the financial and technical support;
- Nestlé has supported the Global Water and Sanitation Initiative (GWSI) of the International Federation of Red Cross and Red Crescent Societies (IFRC) since 2006, and signed a new global partnership for 2010–2013, where community water and sanitation projects will again be a main focus;
- in Côte d'Ivoire, a project providing 10 000 people with access to clean water and sanitation in the schools of 10 cocoa-growing villages, participatory hygiene training (PHAST) for children and teachers, the establishment of school hygiene clubs and training of 50 masons to build family latrines has just been completed with the IFRC and the Red Cross Society of Côte d'Ivoire, with plans to reach schools in 55 villages and 53 000 beneficiaries in the next three years;
- a similar PHAST project benefitted 40 000 people in Mozambique together with the Mozambique Red Cross;
- Nestlé Waters is a partner of Project WET, an education programme that promotes water awareness among millions of children around the world. The partnership also includes the active collaboration with Project WET to celebrate the annual World Water Day in many of the local communities around Nestlé Waters factories worldwide.



Climate change

Nestlé is committed to being a leader in reducing greenhouse gas emissions from its own operations by improving energy efficiency, switching to cleaner fuels (from coal to gas, for example) and investing in renewable sources such as spent coffee grounds, and wood from sustainably managed forests.

We are committed to reinforcing our leadership role and plan to reduce our greenhouse gas emissions even further:

- in our own directly controlled operations;
- by further decoupling energy generation and CO₂ emissions;
- by continuously improving our energy efficiency;
- through a continuous move towards renewable energy;
- by helping those in our supply chain, mainly through Nestlé's Sustainable Agriculture Initiative;
- by helping our consumers, through innovative solutions such as *Nespresso* and *Dolce Gusto* energy-saving machines, to achieve similar reductions;
- by providing our customers with information and solutions to reduce their own environmental impact.

As one aspect of our ultimate ambition to offer products with the best environmental footprint compared to alternative products, including those made in the home, we undertook a major climate change study with strategy consultancy SustainAbility and integrated the conclusions into our established management processes.

View our case study on our [climate-clever coffee solutions](#).

Our performance

Nestlé’s priorities on climate change are to continue to:

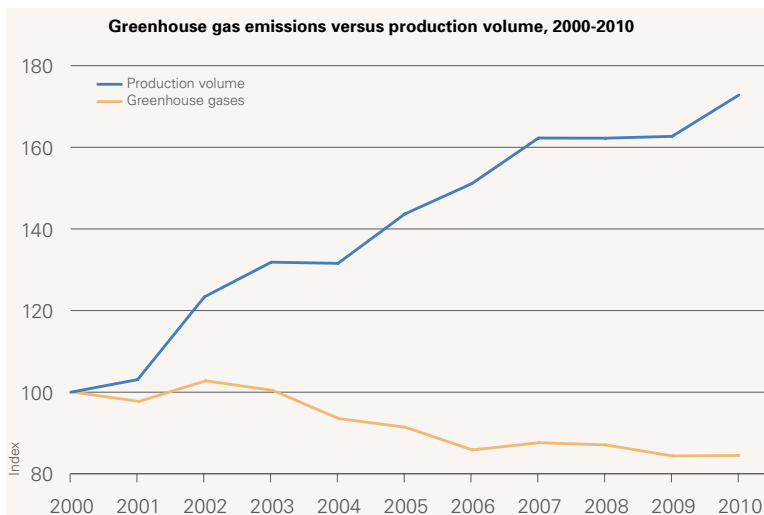
- improve energy efficiency throughout our operations;
- expand our usage of renewable energy.

Our energy efficiency efforts also translate into carbon reductions, though historically, we have reduced carbon more than energy due to a number of our factories switching to cleaner fossil fuels such as natural gas, and also renewable sources of energy. We plan to further decouple energy consumption and carbon emissions in the future.

Through these efforts, our direct greenhouse gas (GHG) emissions remained stable at 4 million tonnes of CO₂eq [KPI] in 2010, although our production volume increased by 6.2%. Per tonne of product, we reduced our GHG emissions from 96.57kg of CO₂eq in 2009 to 91 kg of CO₂eq per tonne of product [KPI] in 2010. This equates to a 0.7 million tonne (15%) reduction, or a 51% reduction per tonne of production, since 2000, during which period our production volume increased by 73%.

Thus, our indirect GHG emissions from purchased energy increased by only 4.8% to 3.1 million tonnes [KPI], which equals a 1.3% reduction per tonne of product compared to 2009.

Our third-party transportation emitted approximately 2.2 million tonnes of CO₂.



The [Nestlé Policy on Environmental Sustainability](#), first published in 1991, was updated in 2008 and has become an integral part of the day-to-day activities in all Nestlé operations worldwide. We are committed to continue our established track record of improvement in our environmental performance and we constantly monitor climate change developments.

Even if you can reduce your carbon footprint, this may be to the detriment of water. Water is so much more complex than carbon, and it is essential to foster a common standard in evaluating the water impact of food products.

Claus Conzelmann, Vice President for Safety, Health and Environmental Sustainability, Nestlé.



However, our efforts need to take into account the inherent environmental footprint associated with eating, a footprint which continues to increase both with population growth and the move of consumers in developing countries to diets higher in meat. Our view is that part of the solution must come from highly efficient food chains, including manufacturing processes that reduce water and energy consumption, eliminate waste and deliver more “nutrition per environmental impact” than other alternatives.

Nestlé’s ambition is to offer food products that are better for the environment than any comparable food, but carbon footprinting alone doesn’t provide a reliable picture of the environmental performance of food products. At the very minimum, the impact on water resources must also be considered. Nestlé is therefore actively participating in the development by ISO of an international water-footprinting standard as a complement to existing approaches on carbon footprinting.



Partnerships on climate change

In addition to initiatives such as the Sustainable Agriculture Initiative of the Food Industry (SAI-Platform), through which members engage with their suppliers and help them to improve their environmental performance, we also share our strategy and results through participation in the [Carbon Disclosure Project \(CDP\)](#) since its creation. In recognition of our improved performance, Nestlé was ranked second in the consumer goods sector in the Carbon Disclosure Leadership (CDL) Index 2010.

This policy of sharing environmental knowledge and best practice is best seen in the company's award-winning Greening the Supply Chain (GSC) programme in the Philippines, which has helped 182 business partners develop their own environmental management systems (EMS). Through GSC, Nestlé educates business partners on using EMS to improve environmental performance, visits them on-site to assess the environmental aspects and impacts of their operations, makes recommendations to minimise any negative impacts, and keeps them updated on environmental issues, regulations, technologies and best practice through a quarterly forum.

Ahead of global negotiations about climate change held in Cancun in December 2010, The Prince of Wales' Corporate Leaders Group on Climate Change – of which our Executive Vice President Operations and Global Business, José Lopez, is a member – published a statement that called for an ambitious, robust and equitable global deal on climate change, which responds credibly to the scale and urgency of the crises facing the world today.

In 2010, José Lopez was nominated a member of the advisory board of the University of Cambridge Programme for Sustainability Leadership. Nestlé continues to be a strategic partner of this programme, which, through seminars, working groups and other programmes, helps business, government and civil society to understand and address critical global issues such as climate change, biodiversity loss and resource depletion.



Refrigerants

The widespread use of refrigeration fluids based on fluorinated chemicals (known as F-gases) is increasingly problematic due to their contribution to climate change. We are therefore committed to phasing out the use of these substances, such as hydrofluorocarbons (HFCs), and replacing them with safe and more environmentally acceptable alternatives. By switching to more energy-efficient refrigeration systems in our industrial installations, we have already significantly reduced our electricity consumption and greenhouse gas emissions.

The move to natural refrigerants

We strive for continuous improvement in the technology and management of industrial refrigeration systems. We have already pioneered the replacement of synthetic refrigerants in large-scale industrial installations with natural refrigerants, carbon dioxide and ammonia, investing over CHF 200 million to date. As we have now phased out more than 90% of refrigerants with high global warming potential from our industrial operations, the focus has shifted to smaller refrigeration systems such as ice cream freezers. However, for such commercial applications, a perfect replacement solution does not yet exist.

The best currently available alternative to synthetic refrigerants are hydrocarbon (HC) refrigerants, pictured right, such as propane and butane. These are, however, inherently flammable and explosive, and require special precautions and maintenance. We carefully design, build and operate all our refrigeration systems to ensure they are safe, and regularly look at ways to improve performance. We also work with major equipment suppliers and international organisations to continuously test and monitor different refrigerants in various applications, and are currently monitoring over 7000 hydrocarbon ice cream freezers in Germany.

In Switzerland, all new ice cream freezers now use HC refrigerants under controlled conditions, and from 2011 onwards, we will test a further 2400 HC freezers in Australia, Spain, Malaysia, Chile and the United States. Our new HC freezers have enhanced safety features, making it safer than those currently available in the trade. They are also equipped with high-efficiency fans, improving the energy efficiency of this component by 80%. We estimate that the reduction in greenhouse gas emissions from these freezers will be around 10 000 tonnes of CO₂ equivalent (CO₂e) over their expected 10-year lifetime.

Exploring alternative refrigeration options

We are also intensifying our research into alternatives to hydrocarbons that are both environmentally sound and inherently safe. Currently, the two major alternatives are CO₂ and Stirling technology. Both options are technically proven, but not yet commercially available with the required performance level.

As far back as 2000, we converted our coffee freeze-drying factory in Hayes, United Kingdom, to an innovative CO₂/ammonia "cascade" system, which received several prestigious awards. In addition, we have commissioned the world's largest CO₂ refrigeration plants in the United States, and the largest in Switzerland.

In a further effort to promote CO₂, we have worked with our suppliers to design an environmentally superior system, using CO₂ as a secondary coolant. This system is now installed at several of our cold store distribution centres where the ammonia charge is kept to a minimum and its distribution confined to the machine room.



In terms of commercial applications, CO₂ refrigerants work well for small-sized positive temperature equipment, such as plug-in cooled vending machines. A detailed evaluation of CO₂ for ice cream freezers concluded that for low temperatures, this technology is not yet as efficient as required. We are therefore in discussions with suppliers, in the hope that we can accelerate their technical development and reduce power consumption.

Nestlé contributed to and fully endorses a resolution by the Consumer Goods Forum, which pledges to “take action to mobilise resources within our respective businesses to begin phasing out HFC refrigerants as of 2015 and replace them with non-HFC refrigerants (natural refrigerant alternatives) where these are legally allowed and available for new purchases of point-of-sale units and large refrigeration installations”.

The Consumer Goods Forum recognises “that barriers exist to wide-scale adoption of more climate-friendly refrigeration, namely legislative restrictions in some markets, availability, cost, safety, maintenance and servicing”. We have therefore committed to work to overcome those barriers by strengthening existing collaborative platforms and initiatives.

We also support the Consumer Goods Forum in using its collective influence to encourage our supply base to develop natural refrigerant technologies that meet our business demand under commercially viable conditions.

Read more about this in The Consumer Goods Forum Board Resolution on Deforestation.



Transport and distribution

Our project to improve the environmental footprint of our fleet of passenger cars and light commercial vehicles has made further CO₂ reductions. While the initial focus was on our European operations, which currently presents 42% (13 000 vehicles) of our company fleet (cars and vans), the project now also covers many other countries.

The CO₂ reduction generated by our “sustainable fleet” programme in Europe, which was awarded second prize in the International Green Fleet Award 2009 in November, amounted to a total of 14% CO₂ emissions saved, from 168 g/km per vehicle as at end 2007 to 145 g/km at the end of 2010, against our target of 130 g/km by the end of 2012. This has come jointly through supplier rationalisation (a shortlist of fewer car manufacturers), improved vehicle technologies and changes in our fleet policies.

Similar initiatives, with local cultural and financial adaptations, have been instigated in other regions, for instance in North America, Mexico, Japan, Australia, etc, where CO₂ emissions were reduced by about 10%.

Intermodal transport solutions

After Nestlé Waters Germany put the distribution of its German supply of S. Pellegrino sparkling water – 3200 trucks a year – out to tender in March 2009, a quarter of the volume was shifted to an intermodal (road and rail) solution. Operations started in May 2009 and are now delivering a CO₂ emissions reduction of 1500 tonnes a year.

Sustainable distribution in action through co-operation

Nestlé UK delivers over 15 loads each day from its factories in the north of England to its Distribution Centre in the Midlands. Only 80% of these loads could be tied to a return journey so two or three trucks each day would return empty. Through ECR UK, Nestlé UK was able to identify that United Biscuits was running empty trucks from close to Nestlé’s factories in the North to the Midlands. Nestlé and United Biscuits were therefore able to work together to create roundtrips that are more efficient and avoid empty truck movements. United Biscuits trucks now collect a load of Nestlé products each day from Nestlé’s factories in York and Halifax and deliver them to the Midlands. Through this co-operation, 280 000 km of empty running per year can be avoided, which translates into a saving of 244 tonnes of CO₂ every year. The two companies demonstrated that through collaboration, it is possible to generate significant environmental and cost savings.



A successful trial for horizontal co-operation with other companies was conducted November 2010 with the assistance of the Consumer Goods Forum. Nestlé, Kraft, Bacardi and other manufacturers collaborated on this multi-modal transport trial and the results showed positive results, reducing CO₂ emissions without affecting door-to-door delivery times. The route involved a consolidation of transport loads (Poland inbound and outbound to Rotterdam) and used rail block train concepts. Other opportunities are being explored with barge and short sea transport routes. The most encouraging aspect of this initiative is that it proves companies can work together for sustainability purposes.

In our ambition to continuously improve performance and contribute towards sustainable development, supported by the Nestlé Environmental Management system and the Nestlé Occupational Health and Safety Management System, we are extending our external certification programme in 2011 to our supply chain operations. We set a milestone of 90 distribution centres to be certified to both ISO 14001 and OHSAS 18001 standards by year-end 2011, and we are encouraging our business partners to apply similar standards.



A commitment to local manufacturing

Our general principle is to manufacture, where possible, in countries from which we source commodities. About half of our 443 factories are in the developing world, primarily located in rural areas. Sourcing and manufacturing locally provides both direct and indirect income and employment opportunities to local people and helps to reduce transport-related environmental impacts for local consumption.

Our major industrial investments in developing countries during 2009 were:

- a new R&D centre in Abidjan, Côte D'Ivoire, focusing on the quality of locally sourced cocoa, coffee and cassava, and on adapting products to the needs and tastes of West African consumers;
- a Nestlé Totole factory in Shanghai, China, producing 100 000 tonnes of bouillon a year;
- a new Nestlé Purina pet food factory and the expansion of the Navanakorn milk and coffee production facility in Thailand;
- a new Maggi production plant in Vietnam;
- a CHF 85 million investment in Malaysia, including new regional plants for Nescafé and coffee creamer, and the expansion of our Maggi facilities;
- an expansion of the Kejayan milk factory in East Java, Indonesia.

And in 2010:

- Nestlé Middle East opened the new KitKat factory in Dubai's TechnoPark, employing 555 people and producing close to the consumer serving Nestlé markets across the region; on the same site, Nestlé Middle East is producing Nido powder milk and Nestlé Pure Life bottled water to meet regional demand;
- Nestlé Waters Poland opened a new state-of-the-art bottling facility for Home & Office Delivery; the site will bottle more than 40 million litres a year to serve the Polish Home & Office Delivery market;
- two premium chocolate production lines were moved from Moscow to the Samara region, where raw materials are being sourced from local suppliers;
- we are currently building a fresh milk factory in Cancun, Chile;
- we extended the capacity of our coffee creamer production in Babelegi, South Africa, by 47%, to serve the regional market.



Improving our energy efficiency

Although our manufacturing operations are responsible for a relatively small proportion of the energy used across our supply chain, it is the area where we can most easily make a large impact through improved performance.

Nestlé aims at becoming the most efficient energy user among food manufacturers, and although increasing production volume by 6.2% in 2010, limited energy consumption to 88.6PJ [KPI], which equates to 2.03 GJ per tonne of product [KPI], down 2.1% on the 2009 figure. On a constant production volume (adjusted) basis, this ratio remains unchanged. Indirect energy consumption, through the purchase of electricity, heat and steam, was 67.6 PJ in 2010 [KPI].

Since 2000, Nestlé has reduced its energy consumption by almost 3% while increasing its production volume by 73%. This reflects:

- energy reduction initiatives at factory level, which form part of the continuous improvement efforts driven by Nestlé Continuous Excellence;
- changes in our product mix reflecting an overall strategy towards more value-added products;
- changes resulting from acquisitions and divestitures.

As we seek to achieve energy efficiency improvements of at least 5% in each of our key product categories over the next five years, we continue to investigate the setting of energy consumption targets by product category and exploring the viability of additional lead performance indicators.

Our Energy Target Setting Initiative completed 12 projects in 2010, during which we identified more than 200 projects for a total investment of about CHF 50 million. The annual savings of these projects include energy savings of about 1.3 million GJ and a reduction in CO2 emissions of approximately 88 000 tonnes. In addition, water savings of 1.9 million m3 were identified and the monetary savings totalled CHF 27 million.



Energy-saving equipment

The worldwide consumption of fossil fuels is constantly increasing but the world's resources are becoming more limited, and energy prices are rising. Therefore, when we look at investing in energy-saving industrial equipment, we assume that energy prices will continue to increase, and industrial equipment will continue to be used as long as the factory is operational.

Therefore investments made in energy-saving projects and renewable energy solutions do generally provide long-term benefits, and we have both increased our investment in such schemes and extended the "return on investment" periods beyond our normal criteria.

To improve the energy efficiency in new milk factories, our Product Technology Centre has developed a new concept for energy optimisation (using "pinch technology"). Through the application of this concept, our production plant in Konolfingen, Switzerland, generated energy savings of 46%. The energy consumption per tonne of product dropped from 3.42 MWh to 1.86 MWh and resulted in an annual reduction in CO₂ emissions of 6780 tonnes.

Following our commitment to reduce energy consumption and reliance on fossil fuels, our Maggi production plant in Singen, Germany, significantly reduced its consumption of natural gas through an innovative partnership with a neighbouring industrial site. To produce steam for the plant's industrial processes, the factory sources energy via an adjacent foundry's heat exchanger. Through a thermal oil connection, the previously lost process heat is transferred to the plant where it is used to generate steam. Currently running at about 60% efficiency, the factory will receive about 50 000 MWh of process heat from the foundry. Once the project is ramped up to full scale, this will reduce the plant's natural gas consumption by more than 60% and save approximately 11 000 tonnes of CO₂ per year.



Renewable energy

In addition to operational efficiency improvements and energy-saving equipment, we will continue to explore the industrial feasibility of switching to more renewable energy sources to reduce our CO₂ emissions and our reliance on fossil fuels; Nestlé renewable energy utilisation accounts for 12.3% of the total consumption of Nestlé sites [KPI]. Spent coffee grounds represent 4.2%, wood contributes for an additional 3.2%, and an estimated 4.9% can be attributed to the purchase of electrical energy generated from renewable sources.

One example of this attempt to switch from fossil fuels to renewable energy is Nestlé France's installation of new wood boilers in three of its facilities. Running those boilers with wood sourced from sustainably managed forests will help Nestlé France to drastically reduce its CO₂ emissions. The expected emissions reduction will amount to 32 000 tonnes of CO₂ per year, which represents 22% of the total CO₂ emissions of Nestlé France's operations.



Waste and recovery of by-products

Eliminating waste in our own operations is an important priority for Nestlé as part of our commitment to reduce consumption of natural resources and to reduce food wastage along the value chain. Our goal is zero waste and full recovery of unavoidable by-products.

Through Nestlé Continuous Excellence (NCE), our factories reduced waste per tonne of product by 3.1% and increased reuse or recovery of by-products by 4.2% in 2010. This amounts to 1.4 million tonnes of by-products sent for reuse or recovery and only 0.37 million tonnes for disposal in landfills or incineration without heat recovery. Two additional facilities, in the UK, achieved “zero waste to landfill” in 2010 and many other locations are close to achieving the same.

In developed countries, losses along the entire value chain of food products range from 3% to as high as 40%–50%; higher losses, usually estimated at 30%–50%, occur in developing countries. In particular, at the level of individual consumers, 14%–26% of the purchased food in the United States, and almost 27% in the UK, gets wasted in households, with most of this food thrown away untouched and still fit for consumption.

Overall, this means that the world currently produces approximately twice the amount of food than is actually “eaten”. This provides huge opportunities to improve food value chains and to provide the same consumer benefits at a comparable price with significantly fewer resources, creating value for both consumers and those involved in the supply chain.



Optimising packaging

Packaging reduces waste by protecting food products during transportation and storage, in the retail environment and at home. Contrary to some preconceived ideas, it also saves more than it costs, in both financial and environmental terms. Packaging is also essential for food safety and freshness, and provides consumers with nutritional information and portion guidance at the point of purchase.

Packaging represents a small part of the total environmental footprint of food products, but Nestlé has adopted an integrated approach to packaging in its continuous improvement policy. This involves what we call a “4R” approach:

- **R**educing the weight and volume of packaging materials;
- Leading in the development and use of packaging materials made from sustainably managed **R**enewable resources such as bioplastics;
- Aligning with and supporting initiatives to **R**ecycle or **R**ecover energy from used packaging, and helping to inform consumers through the use of accepted material identification and recycling symbols, and by encouraging consumers to recycle where programmes are available;
- Using **R**ecycled materials wherever it makes sense.

It also involves the systematic use of PIQET (Packaging Impact Quick Evaluation Tool) eco-design to evaluate the environmental profile of packaging being considered in any development.

Nestlé is also a strategic partner of the new Chair in Bioplastics at the École de Mines in Paris, where research will focus on new and innovative forms of plastics derived from naturally occurring materials.

Continuing reductions in packaging material through our source reduction programme saved 70 828 tonnes of packaging material by weight [KPI], worth CHF 101 million.

For example, in 2009, Nestlé UK became the first major confectionery company in the country to replace non-recyclable plastic with recyclable cardboard packaging in most of its 20 million Easter eggs. As one of many recent initiatives to meet its target to reduce packaging by 10% by 2010, against a 2006 baseline, Nestlé UK used at least 30% less packaging in its small and medium Easter eggs, saving over 700 tonnes of packaging materials. In 2010, cardboard trays were used for many of its large Easter eggs, replacing plastic inserts and reducing their use in a further 10% of its production. Nestlé UK aims to eliminate plastics inserts in all its Easter eggs by the end of 2012.

In addition, Nestlé Waters initiated its most ambitious light-weighting programme in 2010. It targeted the 0.5 litre PET bottle, which impacted more than 50 production lines in Nestlé Waters North America. The programme resulted in converting a 12.3 g bottle to a 9.3 g bottle and reducing the cap from 1.6 g to 1.1 g. In total, this programme has contributed to a saving of 40 000 tonnes of packaging material.



In the area of source reduction, we are adopting a more global approach based on sustainable processes. Using data from our Globe and LEAN tools, we are accelerating improved packaging performance by identifying key areas for source optimisation, and focusing our efforts on the biggest opportunities. By optimising our processes and implementing innovative solutions in packaging, we can avoid food waste across the value chain and improve our environmental footprint while improving the cost of our products.

However, weight is not the only factor; improvements in the environmental performance of packaging are also relevant. Our packaging eco-design tool assists in the selection of the most appropriate packaging for many products. PIQET is a streamlined Lifecycle Assessment (LCA) tool, which follows LCA methodology but pre-defines some of the decisions that would normally require an experienced LCA practitioner, to reduce the time taken to generate rapid feedback on the environmental performance of design options.

In 2010, the PIQET tool was rolled out globally, enabling its use in any of our developments



Case study

International Federation of the Red Cross and Red Crescent Societies

As part of its overall partnership with the International Federation of Red Cross and Red Crescent Societies (IFRC), Nestlé has been working with the IFRC and the Red Cross Society of Côte d'Ivoire since 2007, beginning with a project to construct and rehabilitate water and sanitation facilities (50 water points and eight hygiene blocks) for 50 000 people. A second project in 2009–10, with some 10 000 beneficiaries, focused on access to clean water and sanitation in the schools of 10 cocoa-growing villages, as well as participatory hygiene training (PHAST) for children and teachers, the establishment of school hygiene clubs and the training of 50 masons to build family latrines.

In November 2010, Nestlé and the IFRC signed a new global three-year partnership agreement to contribute CHF 2.25 million to water and sanitation, food security and emergency relief initiatives, and to explore cooperation between Nestlé markets and Red Cross and Red Crescent Societies. Nestlé will also sponsor the production of the IFRC's flagship publication, the annual World Disasters Report (WDR).

CHF 1.5 million of the partnership's funds will be dedicated to further developing the school water, sanitation and hygiene work in Côte d'Ivoire over the next three years, expanding it to 55 schools, with 65 water points and sanitation facilities for 53 000 beneficiaries.



Case study

Nestlé South Africa halves water usage in Mossel Bay

Currently, the town of Mossel Bay in South Africa is experiencing its worst drought in 132 years. Wolwedans Dam, the town's main water source, is now less than 12% full.

In an attempt to support the town, our Mossel Bay factory in South Africa cut its water usage by 54% between October 2009 and May 2010.

With new equipment costing around ZAR 1.2 million (over CHF 175 000), the factory's water usage was cut from 25 000 to 11 500 kilolitres per month between October 2009 and May 2010. Water usage per tonne of product produced was reduced from 17 kilolitres per tonne of product in 2009 to 8.2 kilolitres per tonne produced in 2010.

The water-saving project consists of a four-pronged approach including an awareness campaign, measurement of water usage, an action plan and continuous improvement and advertising of the results. Under the initiative, a water usage measurement system monitors water in the various sections of the plant and corrective action is undertaken when necessary.

The significant saving is due to the recovery and use of condensate from the evaporation process, which is recovered and used for various industrial processes on-site. In addition, several immediate water-saving measures were introduced, such as shortening automated wash times and modifying hosepipe nozzles to reduce water flow, and employees were also advised on water-saving measures at home.

Alderlady Marie Ferreira, the Executive of Mayor of Mossel Bay, praised the drive to save water. She said: *"I am absolutely delighted at the water savings of more than 50% achieved by the factory and the way that responsible water management has been made an integral part of their operations. The Company has demonstrated what responsible corporate citizenship is."*

**Case study****UK & Ireland: Five-fold environmental ambition**

Nestlé UK & Ireland has made good progress in achieving its five-fold environmental targets:

- reduced energy usage by 7% and carbon usage by 11%;
- reduced total water consumption by 27% since 2006;
- Girvan and Dalston factories verified by Bureau Veritas as sending zero waste to landfill;
- won Motor Transport Partnership Award for transport collaboration in 2009;
- reduced packaging by 12.6%; plastic inserts removed from 90% of Easter eggs; weight of packaging for medium and large selection boxes reduced by 40%.

Nestlé's key environmental priority is to be the most efficient water user amongst food manufacturers. In the UK & Ireland water consumption at its factories fell by 27% in 2009 through increased efficiencies and innovative re-use of waste water. For example, the Dalston factory converts liquid surplus into clean water, and a by-product of this process is used by local farmers as fertilizer. The company has also exceeded the Federation House water reduction target 10 years early, reducing total water consumption by 27% since 2006.

Since 2006 Nestlé has reduced the amount of packaging used for small and medium Easter eggs by 12.6%, halving packaging weight. Plastic inserts have been removed from 90% of Easter eggs, and the weight of packaging for medium and large selection boxes has reduced by 40%.

Nestlé has committed to send zero total waste from factories to landfill by 2015 and has reduced waste sent to landfill by 57% since 2008. Nestlé's Girvan and Dalston factories have achieved zero waste to landfill by introducing waste segregation systems. Waste that cannot be recycled is sent to an energy-from-waste recovery plant and used as a heat source.

Investment in new technologies and energy saving measures saw energy use fall by 7% and carbon usage by 11% in 2009. At the Hayes and Tutbury factories, spent coffee grounds supply nearly 20% of the sites' energy needs.

Nestlé works with charity FareShare to redistribute any surplus food produced to disadvantaged people, and the company has also won awards for transport efficiencies and collaborations.

"At Nestlé, we believe that to enhance and protect our business, we must safeguard the wellbeing and future of our employees, suppliers and consumers and protect the planet's resources for future generations. Whether it's reusing coffee grounds in Nescafé factories as fuel, reducing packaging or eliminating waste, we take our responsibilities very seriously."

Paul Grimwood, Chairman and CEO, Nestlé UK & Ireland



Case study

Nestlé Professional Nordic: Climate-clever coffee solutions

Nestlé Professional asked independent consulting agency Quantis to analyse the environmental impacts of a cup of coffee, starting with the coffee beans and ending with the ready-to-drink cup of coffee. They looked at the product life cycle, and the impact of cultivation, processing, distribution, packaging material, energy expenditure, and choice of cup and coffee machine on the environment and climate.

The study found that the environmental impact of instant coffee is lower than for roast and ground coffee. Although the instant coffee production process is complex and requires more energy, the extraction process is more efficient, meaning fewer coffee beans per cup of coffee. Instant coffee was also found to give more cups of coffee per volume and weight.

Operating a machine consumes a significant amount of electricity, especially when used below its full capacity. An efficient stand-by function, however, can save approximately 15%–25% of total energy consumption. Using a paper or plastic single-use cup can actually have a lower impact on the environment than washing a ceramic cup, if the latter is washed inefficiently and with warm water.

Following the study's suggestion, the best solution depends on the customer's needs and application conditions. Therefore, Nestlé Professional created a leaflet to inform customers and help them to make better choices. To improve the support provided to the customers, an online "Footprinter" tool has been developed. It uses the outcomes of the study to model the needs of the customer and help them to make the choice with the best environmental footprint.



Rural development

In our latest [Creating Shared Value Report](#), we focus specifically on rural development, one of the most important drivers of global development. The full Rural Development Report and the Summary Rural Development Report are both available to download from [our website](#).



[Full Rural Development Report pdf](#)



[Summary Rural Development Report pdf](#)

Our people

Please find below an update of our 2010 performance in the area of Our people. It summarises the information that has been updated in the [CSV section](#) of our website, including Key Performance Indicators and associated commentary, since our 2009 CSV report.

A full table of [Key Performance Indicators](#) is also available online.

Overview

Context

Thanks to the dedication and efforts of our employees, every day we make a difference to the lives of many consumers around the world. Nestlé has a strong corporate culture which unites more than 281 000 people working in more than 100 countries. Over a third (33.9%) of our workforce is located in Europe, 38% in the Americas and 28.1% in Asia, Oceania and Africa. During the global financial crisis, we have made every effort to focus on sustainability and stability, and ensure we have appropriate human resources for both our current and future needs.

Our goals

It is essential for Nestlé competing in a rapidly changing world, to have a continuous learning and talent approach. Our employees need to be able to continue learning, and adapt their capabilities. Our future employees must also be active learners who are driven by, and live with change. By looking ahead to define people requirements and initiate effective learning in good time, Nestlé can stay ahead, and differentiate ourselves from our competitors. In return we believe employees want jobs that are worthwhile and inspire them, so we strive to ensure each employee has the opportunities and support they need to fulfill their potential in a safe and fair workplace where they are listened to and valued, and where diversity and equality are respected.

Our actions

The continued drive for an engaged and diverse global workforce relies upon good development policies and people management, and the active support of line managers. Our resourcing, succession, and development opportunities at all levels of the business, are aligned with Nestlé’s overall strategies. Nestlé principles and continuous improvements in environmental and occupational health and safety management has also contributed to measures that increase employee engagement, their health and wellbeing, and reduce workplace accidents.



Kaori Murata, employee, Nestlé Japan pictured with Kaori Hanks, manager and leader of the Women & Leadership Taskforce, Nestlé Japan



Our performance

Despite the global financial crisis, we have continued to offer Nestlé's workforce comprehensive training and development, and opportunities for career progression. Our health and safety performance continued to improve, with further reductions in our Lost-Time Injury Frequency and Total Recordable Injury Rates. Workplace relations between employees, management and trade unions are generally strong, even though occasional challenges occur that we are committed to resolve.

CSV summary

- **Value for Nestlé:** Skilled and motivated workforce; improved performance; superior business results; sustainable growth.
- **Value for society:** Employment opportunities; potential for a better standard of living; opportunities for self-development; higher workplace safety standards.

Health and safety performance

The Nestlé Occupational Health and Safety Management System reinforces our commitment to a “zero accident” culture, while our achievement of certifying all our factories against OHSAS 18001 has helped to create a common standard for health and safety.

Compliance with the [Nestlé Corporate Business Principles](#), the [Nestlé Policy on Safety and Health at Work](#) and with local laws regarding health and safety is also assessed by our independent audit programme CARE, which covers the areas of human resources, safety and health, business integrity and environment.

Managing health and safety

Our approach to safety and health in the workplace is an essential part of Creating Shared Value and one of the fundamental pillars of the Nestlé Principles and values. In recent years, Nestlé has achieved a significant reduction of workplace accidents, driven by a major global effort that is endorsed by top management and cascaded down through the Company.

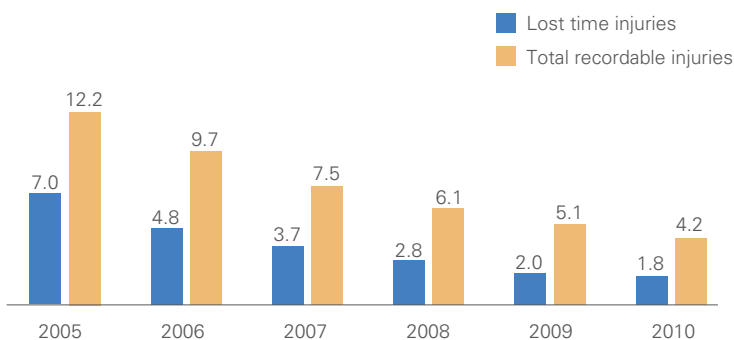
Leadership has been identified as a key element in taking safety to a new level, and seminars to increase managerial awareness, capabilities and commitment to safety leadership have been organised across Nestlé businesses and geographies.

Our CEO, Paul Bulcke, has reiterated the commitment made by his predecessor in 2005 that “safety is non-negotiable”, by reinforcing the importance of safety through his statement that “one accident is one too many”. Supported by posters and communications in all operating sites, this applies to all our activities, helps us to achieve higher performance by engaging with our entire workforce.

Our continuously updated Nestlé Occupational Health and Safety Management System, together with state of the art tracking and analysis tools, constant management focus, supporting further progress through a factory manager coaching programme and external verification enabled us to reduce our Lost Time Injury Frequency Rate (LTIFR) among employees and contractors to 1.8 cases per million hours worked in 2010 [KPI]. This reflects a 10% reduction from last year (2.0) and a 91% reduction since 2000. However, lost time injuries still translated into 40 567 workdays lost.

As this rate approaches a sector-leading level, we are increasingly focused on the prevention of all types of injuries, helping to improve our Total Recordable Injury Rate from 5.1 injuries per million hours worked by employees and contractors in 2009 to 4.2 [KPI].

Work-related injury frequency rates



Listening to Nestlé employees on the shop floor, without any filtering system, through the CARE confidential interviews is a mature way of perceiving how the workforce sees the Company and its managers and, therefore, how Nestlé is actually managed in practice. *Paulo Silveira Ivo, Bureau Veritas, Brazil*

Nestlé is committed to become one of the leaders in workplace safety. On our journey to zero injuries our objective is to reach the milestone of less than one lost time accident per million hours worked by 2012. 196 factories ended 2010 without any lost time injuries, compared to 190 factories the previous year. In Pakistan, for example, more than 18 million working hours without lost time injuries were completed at the Sheikhupura factory.

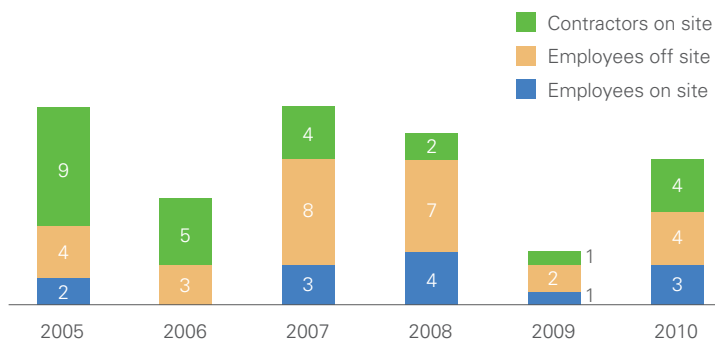
To promote a safety culture in Nestlé, create an opportunity to leverage good practices and open a door in 'people-oriented leadership', Nestlé created the Corporate Workshop Safety Awards in 2006. The winning applicants all showed outstanding programmes and examples of strong management leadership and commitment, together with employee motivation and engagement, powerful communications and concrete safety performance improvement.

At the 2010 awards ceremony, CEO Paul Bulcke urged the whole company to learn from and leverage all the good practices, emphasising that: "Safety is not about numbers. Safety is about life and the wellbeing of all of us. One accident is one too many."

To help protect our people and those we work with, safe driving programmes have been implemented in most countries. Nestlé also extends these programmes to contractors, such as those involved in milk collection in Brazil and Pakistan, and even society. For example, Nestlé Pakistan invested more than CHF 100,000 to the construction of a driving safety school at the National Highway and Motorway Police. This school contributes hugely to the local safe driving culture by providing theoretical and practical trainings to drivers from both Nestlé and other organisations. Although reliable data is difficult to obtain, Nestlé has now implemented a system for collecting safe driving data from contractors, which we plan to improve in the next few years.

Despite all continuous efforts, we deeply regret 11 fatalities in 2010 due to accidents while at work [KPI]. Three involved employees – of which two were traffic accidents and one involved a contractor in a factory. We continuously strive towards the only acceptable aspiration: zero accidents.

Work-related fatalities





A fair workplace

Since its foundation, Nestlé has built a culture based on the values of trust, mutual respect and dialogue. Our management and employees all over the world work daily to create and maintain positive individual and collective relationships, and are expected to do so as a core part of their job.

Nestlé Corporate Business Principles (NCBP)

The framework that guides long-term employee relationships within Nestlé, including labour practices, human rights, diversity and equality, is laid down in our Nestlé Corporate Business Principles (NCBP). These Principles have governed our Company since its foundation and create the basis for Creating Shared Value, linking the ambition to meet the needs of consumers and shareholders with the commitment to respect people and the environment.

Endorsed by the Chairman and CEO, and available [online](#), they form the basis of our culture and reflect our values of fairness, honesty and respect for people and the environment. The mandatory statements they contain are integrated into business planning, auditing and performance reviews.

A revised version of the NCBP was developed and rolled out during 2010 and has been translated into 50 languages to date. A comprehensive communication and training toolkit has been provided to all countries, which have launched their local plans to ensure each employee lives up to the Principles. Follow-up training is planned in 2011 to ensure deeper understanding of each Principle. A specific module on the human rights and labour section of the NCBP will be developed in 2011 and rolled out to the relevant functions, with a focus on managers and employees in countries of higher human rights risks. The first training cycle should be concluded by the end of the year.

The Company complies with the laws applicable in the countries in which it operates, and adheres to:

- the eight fundamental Conventions of the ILO;
- the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;
- the ILO Declaration on Multinational Enterprises and Social Policy.

We are committed to the Universal Declaration of Human Rights and support the human rights and labour principles of the [UN Global Compact](#) (UNGC). We are one of the UNGC's leading companies, we regularly participate in events that promote responsible business practices and joined the UNGC's Human Rights Working Group in 2009. Furthermore, we are interested in seeing its more informal Labour Working Group meet more regularly in 2011.

Nestlé Employee Relations Policy

Our new [Employee Relations Policy](#), issued and distributed in September 2010, outlines international standards and provides a frame of reference for the collective relationships with trade unions and other employee representatives. It also restates our commitment to support and respect universally recognised labour rights as mentioned in the NCBP, and sets a tone of open dialogue on labour matters with employees and external stakeholders.



Compliance with sustainable business practices

Our support for international conventions and the social elements of the NCBP, and compliance with local laws, is monitored through our CARE (**C**ompliance **A**ssessment of Human **R**esources, Occupational Health & Safety, **E**nvironment and Business Integrity) audit programme.

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

We extended CARE to all Nestlé employees and all sites owned or operated by Nestlé by the end of 2010. We continue to implement it every three years and investigate those areas where we find systematic recurrent gaps. More than 1350 audits have now been conducted since CARE was piloted in 2005, and in 2010, 392 sites underwent audits and 0 critical non-compliances were identified [KPI]. CARE audit findings are regularly shared with the Executive Board, members of senior management and the auditing committee of the Board of Directors. Furthermore, the Nestlé Group Audit function also verifies NCBP compliance.

In addition, our commitment to a "[zero accident](#)" culture has been reinforced by external verification and certification of the 91% of our factories against ISO 14001 and OHSAS 18001.

Finally, our suppliers are committed to comply with our core integrity standards through the [Nestlé Supplier Code](#) commits. The Code has been shared with our total supply base and suppliers are required to acknowledge its terms, regardless of their material, service or location.



Workplace relations

Nestlé promotes a continuous improvement of working conditions, giving special attention to priorities such as:

- respecting the right of our employees to establish and join organisations and engage in constructive negotiations;
- offering competitive wages and benefits;
- treating every employee with dignity and without any tolerance for discrimination, harassment or abuse;

One example of our respect for the core ILO principles is the high percentage of Nestlé employees covered by collective agreements (on average, more than 50% worldwide). Where local legislation does not allow minority unions to negotiate collective agreements, we seek regular dialogue with the unions to discuss areas of common interest.

In several countries, we have further developed local business practices fostering improved relationships with employees and unions. For example in the Philippines, HR managers and union officers are trained on ILO Conventions, NCBP training is given to all employees in Colombia, as well as specific human rights training for security personnel, and in Europe, the Nestlé European Council for Information and Consultation (NECIC) meets regularly with local union representatives to improve mutual understanding and cooperation. We have also proposed more open dialogue with the International Union of Food Workers (IUF) to exchange information and discuss workplace matters.



Human rights

The Nestlé Human Rights Policy is integral part of the NCBP, which guide the behaviour of all Nestlé employees. The Company is also committed to the Universal Declaration of Human Rights.

In July 2010, the Nestlé Group Risk Management Department modified the Nestlé Enterprise Risk Management (ERM) Principles to formally include human rights risks. The ERM Principles are applicable to the entire Nestlé Group and guide the mandatory risk management processes at corporate and market level. The results of the initial top-down corporate human rights risk assessments were included in the annual ERM report to the Executive Board. In early 2011, a simplified human rights risk assessment process was introduced to all markets and made obligatory for markets in countries with high human rights risks.

Since November 2008, Nestlé has worked with the Danish Institute for Human Rights (DIHR), to review our Human Rights Policy, our implementation systems and to assess our labour practices and human rights compliance. Thus, the DIHR has helped us to review the human rights and labour section of the NCBP and to develop the [Nestlé Employee Relations Policy](#).

In July 2010, we signed a two-year partnership through which the DIHR are assisting us in integrating human rights into our corporate systems, undertaking in-depth assessments with stakeholder consultations at a country level, and other monitoring and capacity-building activities. In autumn 2010, the DIHR also helped us to introduce human rights into the ERM processes, and in December 2010 and January 2011, they conducted two comprehensive impact assessments with Nestlé in Nigeria and Colombia, which included consultations with trade unions, authorities, NGOs and farmers to analyse our impact at a local level. Throughout 2011 and 2012, more of these human rights impact assessments will be conducted in countries of concern, in order to further develop our human rights due diligence.

Nestlé recognises the “corporate responsibility to respect human rights”, as outlined in the UN Framework on Human Rights and Business proposed by John Ruggie, Special Representative of the UN Secretary General on Business and Human Rights.

During 2010, labour rights and human rights issues have been discussed by our CEO Paul Bulcke with Professor Ruggie, and with other relevant international stakeholders, to find opportunities to promote and embed human rights in our operations and areas of influence. We were also involved in consultations and discussions with the UN Special Rapporteurs on the right to food and on the right to water and sanitation. Furthermore, Nestlé was one of the 24 companies that contributed to the report [“The State of Play of Human Rights Due Diligence”](#), launched in June 2010 by the Institute for Human Rights and Business.

See the [Farmer programmes: cocoa](#) page for further information.



Multi-stakeholder initiatives

As a founding member of the Common Code for the Coffee Community Association (4C Association), Nestlé also follows a voluntary code of conduct to improve efficiency, profitability, transparency and sustainability in the production, processing and trading of coffee through training and verification. The main pillars of 4C are a code of conduct, rules of participation for trade and industry, support mechanisms for coffee farmers, a verification system and the participatory governance structure.

See the [Farmer programmes: coffee](#) page for further information

In Colombia, Nestlé is a founding participant of the voluntary “Guías Colombia” (Guidelines for Colombia), which brings together companies, government, NGOs and trade unions under a local adaptation of the Voluntary Principles on Security and Human Rights. We also have a formal dialogue with Alliance Sud, a group of Swiss NGOs examining the impact of our activities and our relationships with trade unions and local communities on national development and human rights.



Labour and human rights challenges

Even with the strong commitment and dedication of our local management, Nestlé has faced a number of challenges and opportunities for improvement in the area of labour relations and human rights.

For a number of years, the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF) has undertaken a global campaign against Nestlé ("Nespressure"). In November 2008, the IUF filed a submission to the OECD's National Contact point in Switzerland, for alleged violations of labour rights in the Panjang factory in Indonesia.

The main element in the IUF's submission was the inclusion of wages in collective bargaining negotiations. Although there is no such obligation in local Indonesian law, or in the standards of the International Labour Organization (ILO), Nestlé agreed to include wages into the following 2010/11 collective bargaining negotiation in Panjang. This led to the case being closed by the Swiss National Contact Point in June 2010. Unfortunately, the collective bargaining negotiation for 2010/11 has still not taken place in Panjang, due to a procedural disagreement between the local trade unions. Nestlé continues to actively seek a satisfactory solution to the impasse.

There have also been several other allegations by the IUF against Nestlé during 2010, to which the Company has responded in a spirit of continuous improvement. In order to strengthen our relationship with the IUF, Nestlé offered to enter into regular structured dialogue with the organization.

In late 2009, Nestlé's majority trade union in Colombia, Sinaltrainal, submitted a complaint to the ILO against the Colombian Government for alleged labour and human rights violations by Nestlé. The ILO Governing Body discussed the case in June 2010 and drew no negative conclusions against the Company on its labour practices. The alleged human rights violations filed by Sinaltrainal will be discussed as part of case No. 1787, which was presented to the Colombian Government in 1994 and covers more than 1500 acts of violence, including several cases affecting Nestlé employees. The case remains open and the ILO has requested to be kept up to date on developments by the Colombian Government.

More than 50% of Nestlé's global workforce is covered by collective agreements, which demonstrates the Company's strong commitment to industrial dialogue. Despite these high levels of unionisation worldwide, only one strike took place in 2010.

Anti-corruption

Our commitment against all forms of corruption are embedded in the Company's leadership principles and personally endorsed by both Nestlé's CEO and Chairman who regularly emphasise that compliance with our integrity standards is non-negotiable. Every employee is bound to comply with the Company's policies and is personally responsible to abstain from any form of corruption and bribery.

Responsibility for compliance responsibility lies with the senior market management, while at centre level, Chief Compliance officers are responsible for ensuring the existence of an adequate compliance infrastructure.

Both the Code of Business Conduct and the Nestlé Corporate Business Principles contain strong commitments against any form of bribery and corruption. While the NCBP refer to and specifically embrace the UNGC Principle 10, the Code of Business Conduct commits all employees to the strict compliance with all applicable laws and also sets high internal standards that and provide specific guidance in the area of gifts, meals and entertainment.

The Nestlé Supplier Code, which is part of our contractual relationship with suppliers, commits the latter to comply with our core integrity standards, including those referring to corruption.

Monitoring of our compliance on anti-corruption has become a core pillar of our auditing activities, performed both through our internal audit division as well as by external auditors under the [CARE programme](#). Both the audit and the CARE findings are regularly analysed in order to identify potential areas for improvement. The Company has not been subject to any public corruption allegation, and we are not aware of any pending investigations or legal cases involving Nestlé in this area.

Having performed a thorough anti-corruption risk assessment, including personal interviews with managers working in high-risk environments, we have developed an anti-corruption training tool to provide employees with specific guidance on avoiding inappropriate behaviour, supplementing existing training efforts in this area. Underlining Nestlé's commitment to a strong compliance culture, our Code of Business Conduct introduced whistleblower procedures in 2008, and we are complementing our local hotlines with a Group-wide integrity reporting system. This will not replace the traditional reporting channels but will be placed as an additional last resort communication tool.



Gender balance

Nestlé's success and culture are built on strong, multicultural diversity, and we believe that this critical competitive advantage can be leveraged further. In 2008, we launched a worldwide initiative to accelerate gender balance, a key to the future success of our Company.

The objective is to guarantee that Nestlé provides the environment, culture and leadership to achieve a more balanced gender mix, which optimises the talents of both men and women.

The first steps have focused on leadership teams around the world, to create awareness and provide management with the necessary background and best practice guidance to increase gender balance. Some key human resources processes have also been reviewed.

Improving the gender balance is absolutely necessary for our ability to survive and succeed as a company. Experience shows that building awareness, especially for managers, is a critical first step of this long journey. This is our business imperative. *Chris Johnson, Chairman and CEO, Nestlé Japan Ltd.*

In 2010, 27.3% of all leadership positions (people with management responsibilities) across our global operations are held by women, the same as in 2009 [KPI]. Significantly improving this balance is a lengthy culture change process that will take several years to realise.

In 2009, Nestlé businesses in all markets have defined locally adapted action plans that are currently being deployed. Nestlé Japan, for example, has run Gender Balance Awareness workshops with more than 250 participants, including its entire management team and three taskforces (one for sales, one for factories, and one for women and leadership) have been set up.



Training and learning

To build the capabilities required for future business success and ensure Nestlé people have the right understanding, skills and behaviours to perform their jobs effectively, we offer a wide range of training actions at local, regional and global level, including on-the-job training, e-learning programmes and class-based tuition. During 2010, 102 292 employees from developing countries received formal classroom training, compared to 93 146 in 2009 [KPI]. This figure includes employees who undertook classroom training as part of our Nutrition Quotient (nutrition training) Programme; the ongoing SAP deployment; and the introduction of Nestlé's new Performance Evaluation and Personal Development processes.

Nestlé people from different backgrounds and cultures attend our global training programmes on management and leadership development, as well as other intensive courses and workshops on functional areas of expertise (Operations, Technology and R&D, Marketing & Sales, Finance & Control and Human Resources). They live and work together at our Rive-Reine International Training and Conference Centre in La Tour de Peilz, near Vevey, Switzerland, which provides an open, inspiring and dynamic environment, and helps to empower and inspire local talent when they return to their individual markets.

Approximately 75% of the speakers at Rive-Reine are internal experts and top managers from our corporate headquarters, including all members of the Executive Board. In 2009, Rive-Reine offered 85 courses (2008: 90) attended by 2350 employees from around the world (2008: 2539).

Through e-learning, emerging markets can access the same learning curricula and follow the same pattern of education as their colleagues in other countries. Among hundreds of general e-courses offered at a global level, more than 240 have been specially developed for Nestlé. In 2009, a further 90 managers (96 including joint ventures) followed executive programmes at IMD, our preferred business school in Lausanne, Switzerland.



Employee mentoring

Mentoring is a powerful tool to support individuals in their career and leadership development. Getting access to personal experiences, key insights and unwritten rules transmitted by more senior people in the organisation can make a big impact on a person's professional success, motivation and commitment. That is why throughout Nestlé, several mentoring schemes have been launched at different levels in the organisation.

For example, in summer 2009, a Corporate Mentoring Programme was launched to accelerate the professional growth of more than 100 senior executives. This programme targets a fairly senior level across Nestlé's locations and businesses, with mentees being paired with a top leader who will be their mentor for 18 months.

Mentoring schemes at a market level include Nestlé Spain's "MentorNes" programme and "Mentoring@Nestlé", a pilot programme launched by Nestlé Oceania in April 2009. Through this scheme, senior staff with at least four years tenure within Nestlé and 10 years' people management experience were offered the chance to share their experience, knowledge and advice with colleagues becoming managers for the first time or those moving into more complex roles.

Nestlé Nutrition launched a Corporate Mentoring Program in September 2008, covering 45 employees from across the business. Almost half were colleagues who had become a part of Nestlé as result of acquisitions; the rest of the group were employees with relatively new positions. The program provides an excellent opportunity for Nestlé Nutrition employees to get guidance from colleagues with experience and expertise. It also improves Nestlé's image and helps to develop organisational understanding. Based on the positive experience of this program, Nestlé Nutrition will continue with the program in the future.

Succession planning

We need to maintain a global pipeline of talented people who can help us keep our competitive advantage and meet business needs. In 2010, we continued to increase management focus on succession planning, resulting in more Zone and Business Key Positions. The overall number of Key Positions increased from 1319 in 2009 to 1379 in 2010 and typically, 65% of Group Key Positions are filled by planned successors.

After a specific initiative to broaden and deepen our review of Nestlé talent, a much larger number of people (8741, compared to 3922 in 2009) have been identified as potential successors for Key Positions at deeper levels in the organisation.



International career development

Our policy is to develop local managers into senior executives, as and when they have the required managerial and technical skills. Expatriates are used to transfer technical and management knowledge from the Nestlé group to local entities, enhancing our local presence, utilising our know-how, enabling us to respond quickly to consumer insights and allowing us to build a local flavour into our global brands.

Expatriation is also a two-way process, as many employees from emerging markets also transfer to work in developed markets, sharing and acquiring different sets of skills in the process. In 2009, 183 (41%) of all expatriates in Nestlé's Swiss headquarters and central functions were from emerging markets (2008: 173 expatriates, 39%), and 391 (49%) of expatriates from Switzerland headquarters were in developing countries (2008: 63%).

The maximum percentage of expatriate employees varies according to the stage of development of each market for Nestlé. While we do not set a specific target, we aim for at least 50% locals, as soon as local management and technical skills of the right level can be sourced or developed. In addition, we use short-term project or mission assignments of 6–12 months duration. In 2009, 44 (43%) of these mission assignments in Head Office were from emerging markets (2008: 38%).

We aim to be broadly balanced in providing international career development for people from developing countries and ensuring people from developed countries gain exposure to the challenges of leading in developing countries. At the end of 2010, Local Management Committee members native to country in developing countries represent 48% (2009: 42%) of local management [KPI].

All the experiences and the training I've received during my years in Nestlé have been decisive in helping me now, as Executive President of Nestlé Chile S.A., to increase the Company's performance and its contribution to the community. I've been able to participate in various organisations that promote the integral development of the country, for example, as director of both the Food Industry Association and Sociedad de Fomento Fabril (SOFOFA). In addition, we have been able to make the relationships with the retail industry in Chile more professional, and create the Asociación Gremial de Industrias Proveedoras (AGIP), which includes most of the manufacturing sectors that deal with the country's major retailers. *Fernando Del Solar Concha, Nestlé Chile*

**Developing a local presence**

Fernando Del Solar Concha Executive President, Nestlé Chile;
Head, Austral American Region

Fernando del Solar Concha was born in Santiago de Chile, and is married with three children.

A business graduate of the University of Chile, he gained an MBA from IMD in Lausanne, Switzerland before joining Nestlé in 1975, marketing frozen food.

After a period at Nestlé Dominicana, he returned to Chile as Marketing Director for Ice Cream, before managing the Chilled and Frozen business and then becoming Refrigerated & Ice Cream Division Manager. After three years in Argentina as President and Head of Argentina, Uruguay and Paraguay, he returned to Chile in 2002 as Head of the Austral American Region, covering six markets, and also became Executive President of Nestlé Chile.

During his career, Fernando has overseen the purchasing of ice cream companies in Australia, and advised businesses from Brazil to China. He helped to create AGIP, the trade association for industry suppliers, and is a director of both the Chilean Federation of Industry and the Swiss-Chilean Chamber of Commerce. He was named the most distinguished manager in the FMCG sector by Capital magazine in 2007.



Case study

Gender Balance update 2010

Nestlé launched its Gender Balance initiative in 2008 to promote the environment, culture and leadership needed to facilitate a balanced gender mix in the Company, especially at management levels, and in 2010, Nestlé put actions in place to maintain momentum and accelerate progress.

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

In October 2010, Nestlé actively participated in the sixth Women’s Forum Global Meeting at Deauville, France. Nestlé CEO Paul Bulcke participated in a question-and-answer session where he was able to reinforce Nestlé’s commitment to gender balance.

Corporate Guidelines for a Flexible Work Environment at Nestlé have been published, and are intended to provide a framework for managers and employees to establish a more flexible approach to their workplace. In addition to 100 women participating in the first round of the Corporate Mentoring Programme, a second stage has been prepared for 2011 to accelerate the professional development of 130 senior executives, each of whom has been paired with a senior mentor for 18 months.

Significant emphasis has been placed on women in our talent and succession planning reviews at all levels of the Group. The representation of women in the succession plans for Group key positions increased 9.1% from 2009, with a total of 24.1% women successors.



A BETTER BALANCE: Nestlé employees from all over the world participate in Gender Balance Awareness training at Nestlé’s International Training Centre, River Rene, Switzerland.



Case study

Everyday Coaching (EDC) and Education and Training Pillar

Nestlé is convinced that it is the people who form the strength of the Company and that nothing can be achieved without their commitment and their energy,

Involving people at all levels starts with sharing appropriate information on the Company's activities and on the specific aspects of their work. Through open

communication and active co-operation, everyone is invited to contribute to improvements that enhance results and drive personal development.

Nestlé Continuous Excellence (NCE) supports the both the Nestlé Corporate Business Principles (NCBP) and the Nestlé Management Leadership Principles (NMLP) by ensuring that our people are empowered with the right knowledge, competencies, skills and capability to sustain our business.

In Operations, we have created several training and capacity-building activities, which are supported through our Everyday Coaching model and our Education and Training Pillar Methodology (TPM). For example:

- at our Babelegi factory in South Africa, we have increased the number of training hours and created a group of subject matter experts who are empowered with Everyday Coaching skills and problem-solving techniques to support personal and business growth;
- at Lagos de Moreno in Mexico, we have implemented a training plan and skills matrix to build capacity, and 116 people have had over 11 000 hours of TPM training;
- 151 sessions have delivered 1191 hours of training at Campbellfield in Australia.



MODEL STUDENTS: Participants attend a workshop on the Everyday Coaching model in Singapore.



GRI content index

Our fully linked GRI index is available [online](#).

Profile Disclosures

1. Strategy and Analysis

Profile disclosure	Description	Cross-reference section
1.1	Statement from the most senior decision-maker of the organization	RD: A message from our Chairman and CEO
1.2	Description of key impacts, risks, and opportunities	CSV: Material issues CSV: Challenges RD: Impact of Nestlé factories on rural development RD: Impact of Nestlé farmer programmes on rural development

2. Organizational Profile

Profile disclosure	Description	Cross-reference section
2.1	Name of the organization	RDS
2.2	Primary brands, products, and/or services	AR: The Nestlé Roadmap to Good Food, Good Life (p12-25) AR: The Nestlé Roadmap to Good Food, Good Life: Overview COM: Brands
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	COM: Financial Overview CFS: Notes (p51-67) CFS: Companies of the Nestlé Group (p118-137)
2.4	Location of organization's headquarters	AR: Shareholder information
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	AR: Geographic data: people, factories and sales (p42-43)
2.6	Nature of ownership and legal form.	AR: Corporate Governance and Compliance (p44-45) CFS: Companies of the Nestlé Group (p118-137)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	AR: Geographic data: people, factories and sales (p42-43)
2.8	Scale of the reporting organization.	AR: Front inside flap (pII-III) AR: Geographic data: people, factories and sales (p42-43) CSV: Key Performance Indicators CFS: Financial information - 5 year review (p116-117)



Profile disclosure	Description	Cross-reference section
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	AR: Letter to our shareholders (p2-5) CFS: Acquisitions, disposals and discontinued operations (p62-65)
2.10	Awards received in the reporting period.	CSV: External assessments

3. Report Parameters

Profile disclosure	Description	Cross-reference section
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	CSV: About our reporting
3.2	Date of most recent previous report (if any).	CSV: About our reporting
3.3	Reporting cycle (annual, biennial, etc.)	CSV: About our reporting
3.4	Contact point for questions regarding the report or its contents.	RDS CSV: Contact
3.5	Process for defining report content.	CSV: Material issues CSV: About our reporting CSV: Stakeholder engagement
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	CSV: About our reporting
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	CSV: About our reporting
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	CSV: About our reporting
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	CSV: Key Performance Indicators
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	CSV: Restatements to data provided in the Creating Shared Value Report 2009 are shown in the footnotes to the Key Performance Indicators table
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	There have been no significant changes
3.12	Table identifying the location of the Standard Disclosures in the report.	CSV: Global Reporting Initiative Index
3.13	Policy and current practice with regard to seeking external assurance for the report.	CSV: About our reporting CSV: Assurance statement

4. Governance, Commitments, and Engagement

Profile disclosure	Description	Cross-reference section
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	CGR: Group structure and shareholders, Capital structure, Board of Directors, Executive Board (p3-18)
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	CGR: Board of Directors (p10-18) The Chairman is not also the CEO
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	CGR: Board of Directors (p10-18) All members of the Board of Directors are independent/non executive officers with the exception of the Nestlé CEO.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	AR: Shareholder information (p48) CSV: Employee engagement CGR: Appendix 2: Articles of Association of Nestlé S.A. (p36-40)
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	CGR: Appendix 1: Compensation Report 2010 (p24-33)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	CGR: Board of Directors > Internal organisational structure > Tasks and area of responsibility for each Committee of the Board of Directors (p11) CGR: Appendix 1: Compensation Report 2010 (p24-33)
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	CGR: Board of Directors > Definition of areas of responsibility, Information and control instruments vis-à-vis the Executive Board; Executive Board (p12-18) CGR: Appendix 1: Compensation Report 2010 (p24-33)
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	NCBP CBC CSV: Creating Shared Value at Nestlé CSV: Governance CSV: A fair workplace
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	RD: A message from our Chairman and CEO AR: Overview > Principal risks and uncertainties (p36-37) CGR: Board of Directors > Definition of areas of responsibility, Information and control instruments vis-à-vis the Executive Board (p12-13)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	CGR: Appendix 1: Compensation Report 2010 (p24-33)



Profile disclosure	Description	Cross-reference section
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	RD: A message from our Chairman and CEO AR: The Nestlé Roadmap to Good Food, Good Life (p12-22) AR: Overview > Principal risks and uncertainties (p36-37)
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	CSV: Support for global principles and goals CSV: UN Global Compact Principles CSV: CEO Water Mandate CSV: UN Millennium Development Goals CSV: Human rights, including labour rights NCBP
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	CSV: Stakeholder engagement CSV: Support for global principles and goals CSV: Responsible advertising and marketing CSV: Advertising to children (EU Pledge, IFBA) CSV: Infant food marketing (WHO Code) CSV: Education and engagement (AIM) CSV: Supply chain and watershed management (SAI) CSV: Partnerships on climate change (SAI, AIM) RD: Responsible sourcing (SAI, AIM) RD: Farmer programmes: coffee (Sustainable coffee platforms - 4C, Rainforest Alliance, Fairtrade, UTZ Certified) RD: Farmer programmes: other commodities (Palm Oil - RSPO) RD: SAI-Platform projects (SAI-Platform projects)
4.14	List of stakeholder groups engaged by the organization.	CSV: Stakeholder engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.	CSV: Stakeholder engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	CSV: Stakeholder engagement CSV: Employee engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	CSV: Material issues CSV: Stakeholder engagement



Disclosure on Management Approach (DMA) and Performance Indicators

Economic

Management Approach Disclosure

Goals and Performances	AR: Financial Review (p26-43)
Policy	NCBP CSV: Governance
Additional context	AR: Financial Review (p26-43)

Economic performance

EC1	Direct economic value generated and distributed	AR: Financial Review (p26-43) AR: Creating Shared Value Key Performance Indicators (p46-47) CFS
EC2	Risks and opportunities due to climate change	CSV: Climate change
EC3	Coverage of defined benefit plan obligations	Not reported
EC4	Significant financial assistance from government	Not reported

Market presence

EC5	Entry level wage compared to local minimum wage	Not reported
EC6	Policy, practices and spending on locally-based suppliers	RD: Impact of Nestlé factories on rural development RD: Impact of Nestlé farmer programmes on rural development RD: Responsible sourcing
EC7	Local hiring	CSV: Key Performance Indicators CSV: International career development

Indirect economic impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	RD: Impact of Nestlé factories on rural development RD: Responsible sourcing (SAI-Platform projects and Cocoa Plan) CSV: Water and rural development (Water projects) CSV: Community engagement in water projects
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	RD: Impact of Nestlé factories on rural development RD: Impact of Nestlé farmer programmes on rural development CSV: 2010 overview



Environment

Management Approach Disclosure

Goals and Performances	CSV: Key Performance Indicators CSV: Water and environmental sustainability
Policy	CSV: Our performance CSV: Governance NCBP CBC
Organizational Responsibilities	CSV: Compliance with sustainable business practices CSV: Governance
Training and Awareness	CSV: Compliance with sustainable business practices CSV: Support for global principles and goals CSV: Key Performance Indicators
Monitoring and Follow Up	CSV: Governance CSV: Compliance with sustainable business practices
Additional context	CSV: Water and environmental sustainability

Material

EN1	Materials used by weight or volume.	CSV: Key Performance Indicators
EN2	Percentage of materials used that are recycled input materials.	Not reported

Energy

EN3	Direct energy consumption by primary energy source.	Partially reported, CSV: Key Performance Indicators
EN4	Indirect energy consumption by primary source.	CSV: Key Performance Indicators
EN5	Energy saved due to conservation and efficiency improvements.	CSV: Improving our energy efficiency
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	CSV: Improving our energy efficiency
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	CSV: Improving our energy efficiency

Water

EN8	Total water withdrawal by source.	CSV: Key Performance Indicators CSV: Our performance: direct operations
EN9	Water sources significantly affected by withdrawal of water.	Not reported
EN10	Percentage and total volume of water recycled and reused.	Not reported



Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not reported
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not reported
EN13	Habitats protected or restored.	Not reported
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not reported
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not reported
Emissions, effluents and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	CSV: Key Performance Indicators
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not reported
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	CSV: Climate change CSV: Renewable energy
EN19	Emissions of ozone-depleting substances by weight.	CEPI
EN20	NO _x , SO _x , and other significant air emissions by type and weight.	Partially reported, CEPI
EN21	Total water discharge by quality and destination.	CSV: Key Performance Indicators CSV: Water treatment
EN22	Total weight of waste by type and disposal method.	CSV: Key Performance Indicators CSV: Waste and recovery of by-products
EN23	Total number and volume of significant spills.	Not reported
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not reported
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not reported
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	CSV: Water and environmental sustainability CSV: Ecolaboration, the <i>Nespresso</i> platform for sustainable innovation
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported



Creating Shared Value at Nestlé	About our reporting	Reporting performance	Nutrition	Water and environmental sustainability	Rural development	Our people
---------------------------------	---------------------	-----------------------	-----------	--	-------------------	------------

Compliance

EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Not reported
-------------	--	--------------

Transport

EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	CSV: Transport and distribution
-------------	---	---------------------------------

Overall

EN30	Total environmental protection expenditures and investments by type.	Not reported
-------------	--	--------------

Social: Labor Practices and Decent Work

Management Approach Disclosure

Goals and Performances	CSV: Key Performance Indicators CSV: Our people
Policy	CSV: Governance NCBP CBC
Organizational Responsibilities	CSV: Governance CSV: Compliance with sustainable business practices CSV: Health and safety performance
Training and Awareness	CSV: A fair workplace CSV: Compliance with sustainable business practices CSV: Health and safety performance CSV: Training and learning
Monitoring and Follow Up	CSV: Compliance with sustainable business practices CSV: Health and safety performance
Additional context	CSV: Our people

Employment

LA1	Total workforce by employment type, employment contract, and region.	Partially reported, CSV: Key Performance Indicators CSV: Our people
LA2	Total number and rate of employee turnover by age group, gender, and region.	Not reported
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Partially reported, CFS: Notes > Employee benefits (page 80)



Labor/management relations

LA4	Percentage of employees covered by collective bargaining agreements.	Partially reported, CSV: Workplace relations CSV: Labour and human rights challenges
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not reported

Occupational health and safety

LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not reported
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Partially reported, CSV: Key Performance Indicators CSV: Health and safety performance
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	CSV: Workplace wellness
LA9	Health and safety topics covered in formal agreements with trade unions.	Not reported

Training and education

LA10	Average hours of training per year per employee by employee category.	Partially reported, CSV: Training and learning
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	CSV: Training and learning CSV: Employee mentoring CSV: International career development
LA12	Percentage of employees receiving regular performance and career development reviews.	Not reported

Diversity and equal opportunities

LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Not reported
LA14	Ratio of basic salary of men to women by employee category.	Not reported

Social: Human Rights

Management Approach Disclosure

Goals and Performances	CSV: Key Performance Indicators CSV: Our people CSV: Compliance with sustainable business practices CSV: Human rights NCBP
------------------------	--



Creating Shared Value at Nestlé	About our reporting	Reporting performance	Nutrition	Water and environmental sustainability	Rural development	Our people
---------------------------------	---------------------	-----------------------	-----------	--	-------------------	------------

Policy	CSV: Governance CSV: A fair workplace CSV: Human rights RD: Responsible sourcing NCBP CBC
Organizational Responsibilities	CSV: Governance CSV: A fair workplace CSV: Human rights
Training and Awareness	CSV: A fair workplace CSV: Training and learning CSV: Human rights NCBP: Human rights (p9)
Monitoring and Follow Up	RD: Responsible sourcing CSV: Human rights
Additional context	CSV: Our people RD: Rural development CSV: UN Global Compact Principles CSV: Human rights, including labour rights

Investment and procurement practices

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not reported
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Not reported
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Partially reported, CSV: A fair workplace

Non-discrimination

HR4	Total number of incidents of discrimination and actions taken.	Not reported
------------	--	--------------

Freedom of association and collective bargaining

HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Partially reported, CSV: Human rights CSV: Labour and human rights challenges
------------	--	--

Child labor

HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	CSV: Key Performance Indicators CSV: Child labour in the cocoa sector CSV: Compliance with sustainable business practices RD: Impact of Nestlé farmer programmes on rural development
------------	--	--



Creating Shared Value at Nestlé	About our reporting	Reporting performance	Nutrition	Water and environmental sustainability	Rural development	Our people
---------------------------------	---------------------	-----------------------	-----------	--	-------------------	------------

Forced and compulsory labor

HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	CSV: Key Performance Indicators CSV: A fair workplace CSV: Compliance with sustainable business practices
------------	--	---

Security practices

HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not reported
------------	---	--------------

Indigenous rights

HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not reported
------------	--	--------------

Social: Society

Management Approach Disclosure

Goals and Performances	CSV: Key Performance Indicators RD: Rural development
Policy	CSV: Governance CSV: Anti-corruption RD: Responsible sourcing NCBP CBC
Organizational Responsibilities	CSV: Governance
Training and Awareness	CSV: Anti-corruption RD: Farmer programmes: coffee RD: SAI-Platform projects RD: Farmer programmes: cocoa
Monitoring and Follow Up	CSV: Anti-corruption RD: Responsible sourcing
Additional context	RD: Rural development CSV: Public policy engagement and collective action

Community

SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Partially reported, RD: Impact of Nestlé factories on rural development
------------	---	---

Corruption

SO2	Percentage and total number of business units analyzed for risks related to corruption.	CSV: Key Performance Indicators CSV: Compliance with sustainable business practices CSV: Anti-corruption
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Partially reported CSV: Anti-corruption
SO4	Actions taken in response to incidents of corruption.	Not reported



Public policy

S05	Public policy positions and participation in public policy development and lobbying.	CSV: Stakeholder engagement CSV: Public policy engagement and collective action RD: Farmer programmes: other commodities
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not reported

Anti-competitive behaviour

S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not reported
------------	---	--------------

Compliance

S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not reported
------------	--	--------------

Social: Product Responsibility

Management Approach Disclosure

Goals and Performances	CSV: Key Performance Indicators CSV: Nutrition
Policy	CSV: Governance NCBP
Organizational Responsibilities	CSV: Governance CSV: Our global research and development network
Training and Awareness	CSV: Branded Active Benefits CSV: Micronutrient fortification CSV: Portion guidance for a balanced diet CSV: Specific nutritional needs: complementary foods for infants CSV: Specific nutritional needs: malnutrition in older people CSV: Nutritional information for consumers CSV: Responsible advertising and marketing
Monitoring and Follow Up	CSV: Key Performance Indicators CSV: Infant food marketing
Additional context	CSV: Nutrition RD CSV



Customer health and safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not reported
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not reported
Product and service labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	CSV: Nutritional information for consumers
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	CSV: Key Performance Indicators CSV: Specific nutritional needs: complementary foods for infants
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not reported
Marketing communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	CSV: Key Performance Indicators CSV: Advertising to children CSV: Responsible advertising and marketing CSV: Infant food marketing
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	CSV: Key Performance Indicators CSV: Responsible advertising and marketing CSV: Infant food marketing
Customer privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not reported
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not reported

Abbreviations:

- AR:** Annual Report 2010
- CBC:** Code of Business Conduct
- CEPI:** 2010 Consolidated Environmental Performance Indicators
- CFS:** Consolidated Financial Statements of the Nestlé Group
- CGR:** Corporate Governance Report 2010
- CSV:** Creating Shared Value website/update 2010
- NCBP:** Nestlé Corporate Business Principles
- RD:** Creating Shared Value Rural Development Report 2010
- RDS:** Creating Shared Value Rural Development Summary Report

Key:

Additional indicators are shown on a white background