

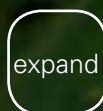


Nestlé

Good Food, Good Life

Nestlé Oceania

Creating Shared Value Report 2011



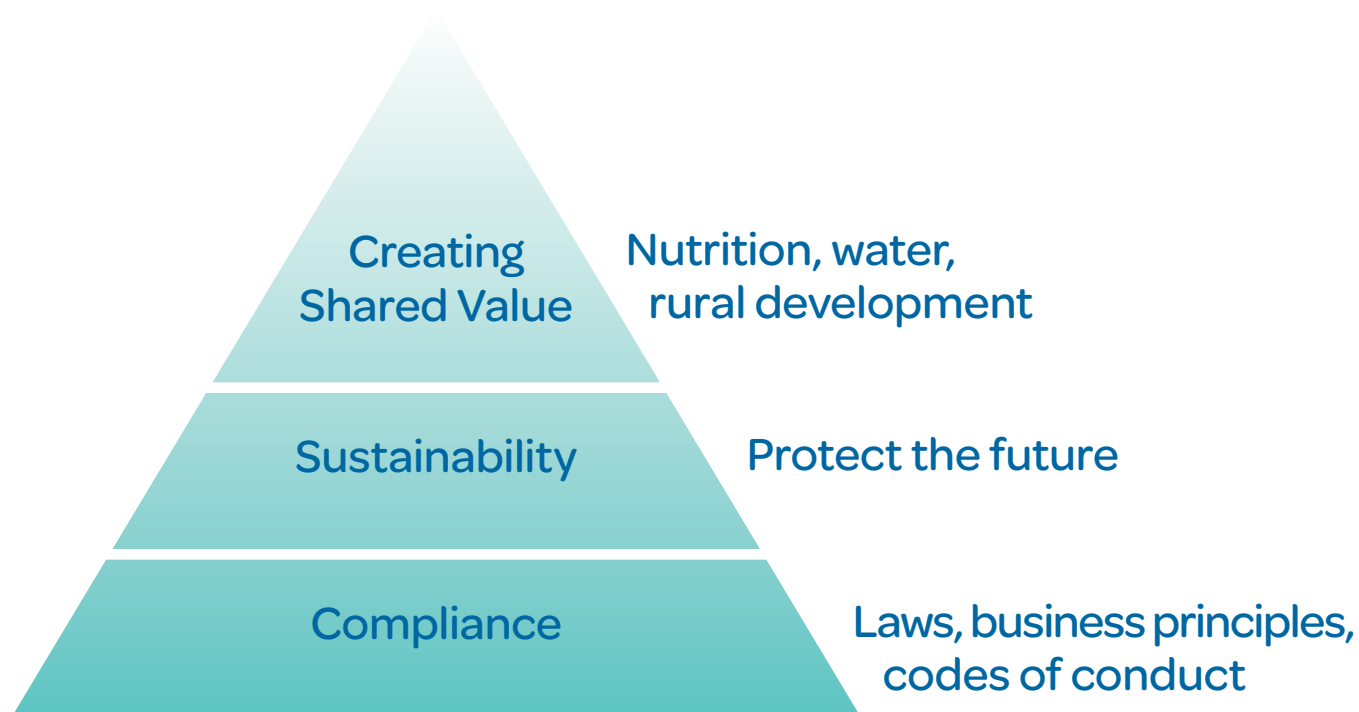
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Welcome to Nestlé Oceania's fourth Creating Shared Value Report

For our business to be sustainable over the longer term and with our ambition to be the world's leading Nutrition, Health and Wellness Company, we believe our actions must be good for business and good for society.

Our CSV approach keeps us focussed on the areas which create long-standing value for our shareholders and contribute, uniquely, to a prosperous, healthy and sustainable society.



Our Oceania report provides our stakeholders with a localised overview of our performance, our achievements and some of the challenges facing our business.

We have reported our CSV performance since 2007. All global reports can be found at www.nestle.com and our Oceania reports can be viewed at www.nestle.com.au.

Nestlé Oceania employs around **6,015 people**, operates **12 factories, 5 distribution centres** and **20 offices** across the Oceania region - taking in Australia, New Zealand and the Pacific Islands.

Our footprint extends right across the region's economy, from an agricultural and primary production supply base through to manufacturing operations scattered across the region and into the homes of millions of consumers who enjoy our products every day.



Financial Performance

Our economic footprint extends right across the Oceania region through the supply of agricultural and primary products and operation of manufacturing facilities. Our regional economic contribution largely occurs through employment and procurement, and through the flow-on effects of those activities into communities within the region.

Oceania total sales^{1,2}
AUD million

\$2754

2009 - \$2568

2010 - \$2572

Net profit
AUD million

\$247

2009 - \$212

2010 - \$250

Each year Nestlé Oceania looks to achieve financial targets set by its global parent. These targets specifically address sales growth, financial returns and working capital return. Against these targets, Nestlé Oceania sets its market strategies and operational plans in place and identifies key risks and opportunities. There is significant consultation with the various business units to better identify, understand and assess various risks, and to develop contingency plans to help manage those risks more effectively.

Key performance indicators are identified to enable the business to measure its performance against its business targets. These measures are core drivers of performance and are reviewed on a monthly basis. Performance shortfalls are analysed and appropriate corrective actions applied. Some of these actions may be tactical, short term responses, whilst others are more strategic and deliver changes or improvements over the longer term.

In terms of financial performance, 2011 proved to be a challenging year. A number of factors in the marketplace led Nestlé Oceania to miss its global targets, including:

- Natural disasters, particularly in Queensland at the start of the calendar year, resulting in lost sales on one hand, and higher costs on the other;
- Overall, worldwide increases in commodity prices, due to a range of factors including reduced crop yields and marketplace pricing practices; and
- Fierce competition for market share amongst Australia's largest grocery retailers, Coles and Woolworths. Nestlé Oceania, as a significant supplier to these retailers, was significantly impacted.

Despite these challenges, the business remained healthy. Increases in commodity prices are an international phenomenon not isolated to Nestlé Oceania, and while sustaining such increases in the long-term remains a significant challenge, we are confident that we now have a more robust response

in place that enables us to better anticipate such challenges and to be better prepared than we were in 2011. We have taken measures internally to offset these risks, including significant innovation in our products that we anticipate will keep us among the market leaders in our sector.

MARKET SHARE

Nestlé Oceania continued to maintain a very strong market position during the year. We were either first or second in all our key product categories except for chocolate, a very competitive area in which we held third place.

In terms of its market strategy, Nestlé looks to find the balance between market share and profitability. In the current retail climate, reducing price does not automatically translate into increased product sales. At the same time, unexpectedly high increases in commodity prices presented a challenge in offsetting these costs through corresponding price increases in our products. However, responding to short-term market fluctuations can rob opportunities for the business in the long-term, so any price increases over the past year were not designed to absorb all the costs we incurred. Instead we very much took a 'lessons learned' approach this year, reflected in our planning for the future.

Our key response to the international commodity price hikes, and to the peculiarities of the Australian retail grocery market, is to ensure a consistent line of innovation coming to market that helps to manage the sustainability of our business over the long-term. With increasing pressure on manufacturers to produce low-cost products we also need to think more about how to maximise value across our supply chain. This is particularly the case in Australia with legislation, for example the Clean Energy Future legislation package, which is anticipated to test our existing business model. If our mission is to try and continue to produce locally, then productivity improvements, cost efficiency and workplace flexibility are even more important than before in enabling us to compete fairly and effectively for market share.

1 Includes Nestlé in the Market business units such as Nestlé Professional and Nestlé Purina PetCare.

2 2010 and 2009 comparatives have been restated to be in line with Net Sales reporting.

CEO's Message

The private sector is an engine room for change – altering attitudes to employment, delivering benefits to communities, creating wealth, and improving health standards for individuals and families.

Creating Shared Value (CSV) is a concept that is well embedded in all that Nestlé Oceania does. I believe that Nestlé Oceania, along with many other profitable organisations in the region, is capable of significant value creation. The private sector is an engine room for change – altering attitudes to employment, delivering benefits to communities, creating wealth, and improving health standards for individuals and families. This report looks back proudly on the successes of our business in 2011, but also focuses on those aspects that were a challenge and require further investigation, understanding, and investment over time. The CSV concept provides a meaningful platform that allows our stakeholders, particularly employees, to engage in meaningful projects that deliver value to our business and the broader community.

For many years, Nestlé globally has focused on delivering shared value in the areas of water, nutrition, and rural development. This dates back to the opening of our first facility in Brazil in 1920, where we provided impetus for the development of a domestic dairy industry. In the 1980s, we worked extensively with local farmers in Pakistan to improve dairy standards, workers conditions and health outcomes for the community. Today, in our region of Oceania, we are working on similar development projects in Australia, New Zealand, Papua New Guinea and the Pacific Islands to help deliver positive change and better outcomes for communities as well as our shareholders. I have seen the immense impact that Nestlé's work has had in regions around the world and I believe that our CSV framework is an appropriate mechanism to create happier and healthier communities, individuals and environments.

In 2011, Nestlé Oceania created shared value through a range of projects, initiatives and campaigns, particularly in the areas of water, nutrition and rural development. Our Indigenous Program underwent a significant review to help us understand where Nestlé Oceania can play a role in helping to provide secure and meaningful employment, and also deliver improved



nutritional standards and community benefits. This is a long-term program that I and my Senior Leadership Team fully support. We are committed to finalising the review in 2012 and implementing a revised strategy through a range of partnerships.

Something that I am personally proud of is Nestlé Oceania's ability to continue to develop great people. Our CSV platform allows employees to engage in work that goes beyond the walls of the business and to understand and see for themselves the benefits that a company like Nestlé can deliver.

The past 12 months was difficult for many industries and businesses, including Nestlé Oceania. We were impacted by natural disasters that struck Australia's east coast, unstable weather conditions more globally, political instability in the Pacific region, rising global commodity prices, and vigorous competition for market share among Australia's largest grocery retailers. However, despite these challenges, and thanks to the introduction of some innovative new products, we maintained our market position in almost all categories.

Looking ahead, we expect 2012 to be another challenging year. We are well prepared to face this and look forward to leading the sector in both product innovation and business management. Continued investigation and better understanding of the potential of our Indigenous Program will remain a focal point. We will continue our efforts to provide our employees with a working environment that encourages creativity and supports innovation. We are committed to responsible sourcing, reducing our environmental footprint, supporting our communities and supply chain, and exceeding the standards against which our performance and behaviour is measured, and against which we measure ourselves. We always welcome and look forward to any feedback you may have on this report.

A handwritten signature in black ink that reads "Graham Campbell". The signature is written in a cursive style and is positioned above a horizontal line.

Graham Campbell
CEO Nestlé Oceania

At the core of this report is the proposition that Nestlé Oceania, and Nestlé more globally, can create enduring and shared value for not only its shareholders, but for communities and for society more broadly.

Nestlé Oceania is a wholly-owned subsidiary of the Swiss-based, global food and beverages company Nestlé S.A with a presence throughout the region including in Australia, New Zealand, PNG and the Pacific Islands.

Nestlé Oceania has some seventy offices, factories and distribution centres located across the region, employing over 6,000 people. Regional headquarters are located in Sydney, Australia. Nestlé's Australasian and Pacific Islands business includes New Zealand, Fiji, French Polynesia, the Solomon Islands, Vanuatu, Tonga, Samoa, Papua New Guinea, New Caledonia, Tuvalu, Niue, The Cook Islands, Kiribati, Nauru, Tokelau, Wallis and Futuna and Pitcairn.

A number of other Nestlé operations are present in the region which form part of the worldwide Nestlé Group, but which operate independently from the entity known as Nestlé Oceania.

Nestlé Oceania's companies and product lines include:

- Cereal Partners Worldwide: Cheerios, MILO cereal, Nesquik cereal and Uncle Tobys cereals
- Nestlé Professional: Nescafé, Maggi, Andronicus, Buitoni, Patisserie d'Artiste
- Nestlé Purina PetCare: PVD (Purina Veterinary Diets), Pro Plan Dog, Dog Chow, Cat Chow, Friskies, Purina One, Beneful, Fancy Feats, Gourmet, ALPO, Bakers, Darling, Felix and Beggin Strips
- Infant Nutrition: NAN, Lactogen (Infant Formula)
- Performance Nutrition: PowerBar, PRIA, SLM, Musashi
- Healthcare Nutrition: Sustagen, Optifast
- Nespresso: Nespresso systems
- Nestlé Waters: San Pellegrino, Perrier, Vittel
- Nestlé yoghurts and dairy desserts (produced under licence by Fonterra)
- Lean Cuisine (produced under licence by Simplot).

Nestlé also has an interest in the world's leading cosmetics company, L'Oréal, and has leveraged this relationship to form two joint ventures, Galderma and Innéov, offering products in both dermatology and nutri-cosmetics.

Nestlé Oceania's broad and diverse presence in the region offers a range of unique and challenging opportunities to create shared value. More on our Oceania businesses can be found on our Australian and New Zealand websites.

ABOUT THIS REPORT

Having committed to the CSV approach, we endeavour to be accountable and transparent in our efforts to deliver on this promise. Our first CSV Report was published in 2008 and this report, our fourth, updates our stakeholders on our recent performance in relation to key stakeholder and business issues for our region, and our commitments to respond to those issues.

This report covers the operations of Nestlé Oceania and other Nestlé businesses in the region for the year ending 2011 (unless otherwise stated). It includes businesses such as Nestlé Nutrition, Nestlé Professional, Nestlé Purina, and Cereal Partners Worldwide (our joint venture with US-based General Mills on the basis that they form part of our geographic footprint in Oceania).

CREATING SHARED VALUE

At the core of this report is the proposition that Nestlé Oceania, and Nestlé more globally, can create enduring and shared value for not only its shareholders, but for communities and for society more broadly. This approach is central to how we conduct ourselves as a business and underpins our decision-making and planning. It inspires and guides us to help reach our ambition of being the world's leading nutrition, health and wellness company.

Since the introduction of CSV to the business a decade ago, Nestlé Oceania is now better placed to respond to broader social and environmental concerns by applying our skills and resources to address key issues and to support those communities we interact with.

To us, CSV is not philanthropy. Our motivation is that a solution must both make good business sense and create value in the communities in which we operate. This does not necessarily mean that community giving or other philanthropic activities must cease, but that the business imperative is geared towards adding value to society through the solutions we deliver.

In implementing CSV, our emphasis is on developing and delivering products and services to customers and communities that deliver societal value, but also shareholder value. This helps increase Nestlé Oceania's operational sustainability over the long-term by developing and enhancing key relationships and skills, as well as building trust and credibility, both internally and externally.

CSV has defined a better way for us to talk about our business and impacts, such as concerns about water supply and quality. It enables us to frame these as issues for both Nestlé Oceania and society to respond to.

GOVERNANCE and OVERSIGHT

Nestlé Global's Corporate Business Principles define our commitment to responsible and sustainable business practices, and reflect the United Nations Global Compact Principles on Human Rights, Labour, the Environment, and Corruption, as well as the UN Millennium Development Goals and the OECD Guidelines for Multinational Enterprises.

We verify our adherence to these Principles through an independent audit of our CARE program, which realises our commitments in relation to four key aspects: Labour, Health and Safety, Environment, and Business Integrity. Our Business Principles are enacted through specific policies addressing nutrition, environmental sustainability, marketing, occupational health and safety, quality and food safety, and human resources.

An executive-led Sustainability Council provides oversight of our sustainability approach. Executives from this Council, including Operations, Marketing, Corporate and External Relations, and Human Resources also sit on our CSV

Advisory Board to help ensure that internal strategies are aligned with stakeholder priorities.

We also continue to rely on our longstanding Nutrition Council to oversee our health and nutrition activities. Decisions and initiatives from both Councils are progressed through the business by secretariats comprised of senior managers.

Certification against ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) management system standards continue to be maintained for our manufacturing sites, distribution centres and for our Head Office in Sydney.

OUR STAKEHOLDERS

Listening to, understanding and responding to our stakeholders is fundamental to our CSV approach. In 2011, stakeholder engagement provided us with a more thorough appreciation and understanding of existing and emerging issues likely to impact our business, as well as the social, environmental and economic impacts we have on our stakeholders.

Our CSV Advisory Board brings together our key stakeholders, and remains at the centre of our engagement approach. This Board is supported by a range of consumer, supplier, scientific, regulatory and industry stakeholder groups. It met twice during 2011 to examine and discuss new and emerging issues, and how insights and feedback from Board members could best be incorporated to shape the strategy and the future direction of our Nestlé Oceania business.

MATERIALITY

Each year we undertake a materiality assessment to help us identify what is important to our stakeholders and what we should be reporting on. The process includes gathering a range of internal and external inputs to capture a broad spectrum of potential issues, and filtering these issues to identify those of most interest to our stakeholders and of most importance to the business.

In terms of external input into the process, Nestlé Oceania conducted stakeholder interviews and examined what issues

Table 1: Stakeholder engagement

Our Key Stakeholder Groups	Our Engagement with Them
Communities and NGOs	Annual and CSV Reports, website, sponsorships and partnerships, collaborative agreements, newsletters, presentations, one-on-one meetings
Consumers/Customers	Annual and CSV Reports, website and email, consumer and retail customer surveys
Employees	Annual and CSV Reports, social events, board meetings and papers, code of conduct and employee handbooks, inductions, employee newsletters, performance reviews, career planning, website and email, notice boards, departmental meetings, internal audits and inspections
Governments/Regulators	Face-to-face meetings, annual and CSV Reports, website and email, compliance audits and inspections
Healthcare Professionals	Emails, newsletters, mailings, conferences
Industry Bodies	Meetings, emails, conferences, websites, committee meetings, board memberships
Media	Press releases, annual and CSV Reports, website and email, one-on-one meetings
Nestlé Global	Teleconferences, conferences, emails, policy guidelines and updates, strategy documents, intranet
Suppliers	Quarterly business reviews, meetings, emails, industry conferences, regular supplier reviews, ad hoc contact (email/phone), supplier (quality) audits and planned responsibility audits, planned supplier engagement sessions, supplier feedback sessions
Unions	Enterprise agreement negotiations, ad hoc consultations, letters and meetings on relevant matters, local consultative committees with union representation, conferences



Table 2: Our Material Issues

Performance Area / Report Section	Material Issue
Our People	<ul style="list-style-type: none"> - Performance management and career opportunities - Rewards and recognition - Leadership in safety and health
Our Products and Consumers	<ul style="list-style-type: none"> - Nutrition and healthy diets - Responsible marketing, labelling and education - Consumer satisfaction
Our Environment	<ul style="list-style-type: none"> - Energy, greenhouse gases and climate change - Water - Packaging - Waste
Our Supply Chain	<ul style="list-style-type: none"> - Ethical sourcing and sustainable agriculture - Local farming and sourcing
Our Community	<ul style="list-style-type: none"> - Community development
Our Market	<ul style="list-style-type: none"> - Financial performance - Market share

our peers and competitors were addressing over the past 12 months. We also considered issues raised by our consumers.

Internally, we considered Nestlé's Global's Corporate Business Principles, Management and Leadership Principles, Nestlé Global sustainability Report, Code of Business Conduct, Supplier Code, Environmental Sustainability Policy, and Health and Safety Policy, Nestlé Oceania's Packaging Policy, Environment Policy, Corporate Roadmap, Health and Safety Policy, and Sustainability Business Risks.

Issues were prioritised based on the level of stakeholder interest, the impact on Nestlé Oceania's business and our ability to respond to or influence those issues. In 2011, we further strengthened our materiality process through facilitation of a stakeholder issues workshop. This allowed a wide spectrum of issues to be considered through the eyes of key stakeholder relationship managers within our business.

While many material issues from 2010 remained prevalent in this year's process, some new issues emerged in 2011. These included local sourcing and farming, leadership in safety and health, rewards and recognition, performance management and career opportunities, consumer satisfaction, financial performance, and market share.

Our material issues are shown at left and discussed in more detail in relevant sections of this report.

At Nestlé Oceania, we believe that engagement is the key to a high performing workforce of motivated, happy and healthy individuals.

We are committed to offering and creating, with our employees, a work environment that supports them in their wellbeing and development, demonstrates business integrity and transparency, and gives them a voice in the company.

We recognise that our 6,000 employees are not only the most valuable resource Nestlé Oceania has – they are Nestlé Oceania. This is why we are committed to offering and creating, with our employees, a work environment that supports them in their wellbeing and development, demonstrates business integrity and transparency, and gives them a voice in the company.

Human Resources Management

In Nestlé Oceania, our Head of Human Resources (HR), Christine Geary, along with the HR Management Team has direct responsibility for implementing our HR strategy amongst the Nestlé Oceania businesses.

Our human resources strategy comprises of three key focus areas:

- People: attracting and retaining the right people for current and future business needs;
- Performance: achieving the full potential of our business and our people; and
- Culture: creating an ethical, responsible and high-performance culture.

HR matters are governed by Nestlé HR Global Policies. These policies are implemented at a regional level and are complemented by a range of policies appropriate to the specific market. They direct our approach to employment, labour relations, training and development, and other areas. Creating a work environment that is ethical, inclusive and builds trust is not only about how Nestlé Oceania treats and interacts with its employees, but also about how our employees conduct themselves inside and outside of the business. Our Nestlé Corporate Business Principles, Nestlé Management and Leadership Principles, Nestlé Human Resources Policies and the Nestlé Code of Business Conduct provide guidance to achieve consistency in expectations and performance across the business. These principles and policies cover not only the ethos on which Nestlé bases its business but also key human rights and labour issues such as freedom of association, collective bargaining, forced and compulsory labour, child labour and discrimination. Management of employee and labour relations falls under our Employee Relations Steering Committee. This committee ensures compliance with

local laws and practices. Diversity is managed through the above policies and principles and supported by initiatives and, in some businesses, through our Flexible Working Arrangements framework.

Successful implementation of these principles, codes, and policies involves training and induction programs that address human rights and labour practices, including the Nestlé Corporate Business Principles and Nestlé Code of Business Conduct. In addition, we aim to improve the efficiency of our operations as well as manage and monitor performance through our global Nestlé Continuous Excellence (NCE) program. We ensure compliance with our Nestlé Corporate Business Principles and external norms such as the UN Global Compact, through our CARE Program (Compliance Assessment of Human Resources, Occupational Safety, Health, Environment and Business Integrity) including regular external auditing by an independent certification body. Each year, public reporting on the performance of HR is delivered through this report.

Our workforce

Nestlé Oceania's employees are spread across 12 factories and five distribution centres, as well as 20 office locations across Australia, New Zealand and the Pacific Islands. With growth in the Nespresso brand, and the acquisition of Jenny Craig, Nestlé Oceania significantly increased its workforce in 2011.

Nestlé Oceania remains committed to the principles of diversity, and creating an inclusive work environment and equal opportunity for all employees. With a focus on gender balance, particularly in management positions, this is considered to be a critical area for the future of our business. A gender balance initiative was launched in 2009 and has achieved greater awareness of, and a more flexible approach to gender issues across our business. In 2011, the flexible working arrangements framework was launched, enabling consistency and transparency in how employees can manage a work life balance.

We believe our efforts in promoting nutrition, health and wellness start with our business and our employees. We promote a 'whole of person' approach to wellbeing that recognises

Table 3: Workforce - Full Time Equivalent Employees^{3,4}

	2008	2009	2010	2011
Australian based employees	4,245	4,153	4,168	4,851
New Zealand based employees	636	617	618	648
Pacific Island based employees	735	525	489	516
Total number of employees	5,615	5,295	5,275	6,015
Full time employees (%) ⁵	79%	77%	78%	84%
Part time employees (%) ⁵	4%	4%	5%	4%
Casual employees (%) ⁵	17%	19%	17%	12%

Table 4: Nestlé Oceania Diversity⁵

	2008	2009	2010	2011
Gender profile (total) - % Female	47%	48%	48%	50%
Gender profile (total) - % Male	53%	52%	52%	50%
Leadership positions held by women (%) ⁶	32%	31%	31%	35%
Female / Male Salary Ratio (women : men)⁷				
- Senior Executives	43:57	43:57	44:56	48:52
- Senior Management	51:49	49:51	50:50	51:49
- Management	49:51	51:49	50:50	51:49
- Technical/Professional	48:52	48:52	48:52	47:53
- Administration/Clerical/Other	48:52	50:50	51:49	46:54 ⁸
- Weekly/Fortnightly Paid	47:53	47:53	48:52	48:52

Table 5: Employee Engagement

	2008	2009	2010	2011
AON Hewitt Employee Engagement Score	N/A	58%	N/A	60%

Table 6: Employee Turnover

	2008	2009	2010	2011
Employee turnover	24.4%	16.9%	12.2%	14.7%

the relationship between happiness and healthiness, and the importance of both to achieve a balanced, positive and active lifestyle inside and outside of work. This effort includes various initiatives and projects such as providing workplace flexibility, improving employment terms and conditions (e.g. offering security, transport and housing allowances on the Pacific Islands), promoting health and wellbeing through our WellNes4Life program, targeted internal education, an Employee Assistance Program, annual flu vaccinations, financial advice and discounted health insurance premiums.

Employee engagement

At Nestlé Oceania, we believe that engagement is the key to a high performing workforce of motivated, happy and healthy individuals. We use internal and external surveys to engage our employees on their concerns, thoughts and priorities. We conduct our own internal Nestlé and I Global Survey, as well as an external benchmarking survey, AON Hewitt Best Employers Opinion Survey, which are run in alternate years to measure employee engagement.

In 2011, the AON Hewitt Best Employer Survey was conducted to evaluate what our employees say about our business, their intention to stay, and their determination to strive. We call this 'say, stay, strive' and consider these key factors influencing engagement levels.

Our AON Hewitt Employee Engagement score has risen slightly (by 2%) since the last survey was conducted in 2009. We acknowledge that we can improve in this area but realise that achieving a significant and sustainable increase in employee engagement takes time.

Employee Turnover

In 2011, our turnover rate increased slightly, partly due to our data now including NiM businesses such as Jenny Craig. Our turnover rate is still significantly lower than three years ago.

HR INITIATIVES

SUPPORTING OUR PEOPLE

During 2011 HR implemented a number of initiatives, described below, to support our people.

PERFORMANCE and TALENT MANAGEMENT

In 2010, we launched a new evaluation tool which provides a clearer approach and better assessment of individual achievements. The tool is linked to our overarching performance management and career planning processes. In 2011, we continued to utilise this tool in areas of employee performance and talent management.

Talent

With our focus on the development of our people, we ran a number of 'People Days' across the business throughout the year. People Days bring together managers across the business to focus on the following key aspects:

1. Talent assessment calibration: what is an employee's potential and talent?
2. Succession planning: what roles are available within Nestlé?
3. Performance evaluation calibration: how did an employee perform?

3 Nestlé Australia Ltd. acquired Jenny Craig in 2011 and saw a significant increase in Nespresso recruitment, both of which contributed to an increase of staff numbers.

4 Figures were recorded as at 31 December of each year.

5 Excludes Nestlé Pacific Islands.

6 Percentage of management who are women. Incorporates senior executives, senior management and management.

7 Calculations for salary information includes Superannuation and Car Allowance (where applicable).

8 Change in ratio is due to acquisition of Jenny Craig in 2011.

In response to a call from employees for more transparency around the People Day process, in 2011 we delivered a series of 'Demystifying People Day Workshops' to 400 employees, explaining our People Day process. Feedback received indicates the workshops have been extremely effective, and in 2012 we plan to extend these workshops to all salaried employees.

CAREER OPPORTUNITIES

We recognise the importance of translating aspirations into realities to our employees. Our 2010 engagement with employees indicated significant room for improvement in this area, therefore, in 2011 we focused on strengthening the capabilities of our people managers to lead employees and support their career development. In order to provide people managers with the right tools, managers who oversee three or more employees participated in 'People Manager Workshops'. The workshops focused on the three key drivers that engage our employees.

Resourcing

We took a significant step in 2011 towards taking direct ownership of our recruitment process with the establishment of an in-house recruitment team. We successfully filled 420 positions through this team; an increase of 20% over the previous year. In the future the recruitment team will allow us to manage our resourcing more effectively and build more positive relationships with our new employees. In the coming year, this will include targeted training for line managers involved in the recruitment process.

Training and development

Nestlé Oceania is committed to the training and development of our staff, and in 2011 we delivered a total of 216⁹ days of professional, leadership and commercial training throughout Oceania.

Table 7: Training and Development

	2008	2009	2010	2011
Training provided to employees per year (value of training in AUD\$)	\$4,977,000	\$4,829,000	\$6,015,076	\$5,611,769

Examples of our training courses delivered in 2011 include:

- **Everyday Coaching:** A high impact program that develops people managers into skilled coaches. The program was newly implemented in 2011 and ran 17 times with a total of 204 people attending.
- **Inspiring Leadership:** A program aimed at strengthening capabilities for leading, engaging and inspiring staff to strive for results, even in the face of resistance and obstacles. In 2011, 161 people attended the program.
- **Mentoring@Nestlé Oceania:** A program involving matching suitable employees (as mentees) with experienced senior managers (as mentors). In 2011, 23 mentees and 23 mentors participated in the program.
- **Training at our international training centre:** This offers our people a chance to build internal Nestlé networks at a global level, accessing best practise methodologies and more intense engagement. In 2011, 23 employees attended programs run at this facility.
- **Herrmann Brain Dominance Instrument (HBDI) program:** HBDI focuses on adapting and flexing individuals' normal

thinking style to increase understanding and solving of problems. In 2011, 270 employees across Oceania attended 22 HBDI programs.

- **New Product Development and introduction:** Nestlé Oceania's ambition is to have consumer-centric new product development introduction (NPDi) with 'Customer First' thinking. NPDi acts as an enabler of new product delivery. In 2011, over 367 employees attended the two-day NPDi journey.

REWARDS and RECOGNITION

Nestlé Oceania is committed to creating a work environment that attracts, motivates and retains talent.

Our GreatNes program, developed by our local Reward and Remuneration team, provides the framework and guidelines for a manager to recognise and reward individuals and teams consistently across all business units at Nestlé Oceania.

Throughout 2011, research was undertaken to identify areas of improvement in rewarding and recognising our employees. As a result, the GreatNes program was relaunched. This included refreshing the program for our line managers to help them position and contextualise the importance of recognising and rewarding the performance and contributions of employees. Employees were also given recognition packs to recognise colleagues. The aim was to reinforce the importance of saying 'well done' and thanking our employees for their contributions. GreatNes focuses on proactively cooperating, practicing what you preach, focusing on initiative and results, and allowing managers to recognise employees through the use of 'That's Great' cards.

With this in mind, the key approach was to ensure that recognition and reward is 'specific', 'authentic' and 'timely' to let people know straight away what they did well, why and how this positively impacts on the company and other employees. Feedback on the relaunch of the GreatNes program has been extremely positive. Our results indicate an increase in awareness from 50% of employees to 90% since 2010. In 2012, our aim is to maintain this level of awareness (90%) and that our employees continue to be recognised for their good work.

SAFETY AND HEALTH MANAGEMENT

Safety and health at Nestlé Oceania is all about the very core of our business: our people. Safety and health is governed by Nestlé's global Safety and Health at Work Policy and embedded through our Oceania Safety and Health Blueprint, which sets our vision and direction across the region. To achieve this vision we are guided by our Oceania Safety and Health Roadmap, which defines specific strategies for 2012 and beyond. In addition, we also have our own ISO-certified Safety and Health Policy to ensure compliance with local regulations and help meet internal requirements.

These policies and guidelines (including OHS AS18001 management systems) are implemented through our induction processes, on-going training, and regular monitoring of our performance. In addition, we undergo internal and external assurance to provide confidence in our processes, data and decision-making.

While these processes and strategies provide guidance, it is our Nestlé Continuous Excellence (NCE) program, our Oceania Safety and Health Council, as well as our managers and front-line employees coming together in safety and health committees that help us work toward our ultimate goal of achieving a zero injury culture right across our business.

⁹ Learning atelopment tracks number of days and courses run for professional and leadership and commercial programs; therefore this represents only a small fraction of total training days across the company.

LEADERSHIP IN SAFETY and HEALTH

We see safety and health as being 'integrated into the way we work', rather than just a 'priority'. Taking safety and health seriously should never change; instead, it needs to be fully integrated into the way we work across all our businesses and functions.

In 2012, we are at a transition point in our safety and health journey, moving from 'closing gaps' to 'industry leader', thus aiming for Zero. Our strategy is based on a simple formula: capabilities + leadership and ownership = success. In 2011, we invested significant thought and time into developing leadership and ownership to achieve greater accountability. An important first stage has been expanding safety and health from being primarily operations-focused to being inclusive of all non-operation functions (e.g. sales and administration). We passionately believe that Safety is for everyone.

We also improved the way Nestlé Oceania's senior leadership manages its due diligence obligations. In addition to responding to the change in Safety legislation, Nestlé Global has introduced new procedures to increase safety accountability within its governance structures. Nestlé Oceania fully embraced this by implementing new routines such as regular safety and health reviews, more visible lines of reporting, and other initiatives

aimed at increasing levels of leadership and accountability. We also formed the Oceania Safety and Health Council which operates across all of the company.

One of the key challenges we faced in the past was to get people to own safety and health management. In 2011, we implemented new safety committees and improved existing ones, through focusing on transforming them with enhanced engagement and capability creation. The committees operate as a forum in which members analyse safety and health issues, take corrective actions and assist with training and coaching of fellow workers. These committees, which now exist at all of our factories, are joint management-worker committees with more than half the members being frontline employees. Each employee member represents their designated work group, so that our entire factory workforce is directly represented by a fellow worker.

Our efforts during 2011 have created positive results and real improvements in our safety performance. We were able to meet our target for Lost Time Injury Frequency Rate (LTIFR) of 1.8, which is a 20% reduction from the previous year. We were also exceeded our target for Recordable Injury Frequency Rate (RIFR), with a recorded RIFR of 6.2. This was a significant decrease against our 2010 RIFR of 10.6, and exceeding our 2011 target of 8. This represents a 41.5% reduction in our RIFR from the previous year.

Table 8: Occupational Safety and Health

	2008	2009	2010	2011
Recordable Injury Frequency Rate ¹⁰ (RIFR) for total workforce	12.1	9.8	10.6	6.2 (absolute number of 75 injuries)
Recordable Injury Frequency Rate ¹⁰ (RIFR) for independent contractors	NR	NR	NR	8.6 (absolute number of 8 injuries)
Occupational Diseases Rate (ODR) for total workforce	NR	NR	NR	0
Occupational Diseases Rate (ODR) for independent contractors	NR	NR	NR	0
Lost day rate (LDR) for total workforce	NR	NR	NR	0.081 lost days per employee (477 days lost across the company)
Lost Time Injury Frequency Rate (LTIFR)	3	2	2.4	1.8
Absenteeism ¹¹ for total workforce	NR	3.60%	2.91%	2.85%
Absolute number of fatalities for total workforce and for independent contractors	NR	NR	NR	0

2011 TARGETS, PROGRESS and 2012 TARGETS

In 2012, we will continue to implement our approach of capabilities + leadership and ownership = success. Part of this will be the roll-out of a capability-creation program targeting safety managers, line managers and frontline employees. We've also set ourselves challenging quantitative targets, with a LTIFR of 1.4 or below and a RIFR of less than 5.

Table 9: 2011 Targets, Progress and 2012 Targets

Targets 2011 and beyond	2011 Status / Progress	New targets 2012 and beyond
Maintain employee turnover below 15% ¹²	Employee turnover was 14.7% for 2011 which for the first time included all Nestlé in the Market businesses	Maintain employee turnover below 15%
Achieve an incremental increase in the Hewitt Best Employer employee engagement survey	Achieved increase in employee engagement score from 58% for 2009 to 60% for 2011	Achieve an incremental increase in the Nestlé and I survey
Reduce Lost Time Injury Frequency Rate (LTIFR) to less than 1.8 injuries per million man hours worked in 2011	Achieved LTIFR of 1.8 for 2011	Reduce LTIFR to less than 1.4 injuries per million man hours worked in 2012
Recordable Injury Frequency Rate (RIFR) target of 8 per million man hours worked in 2011 (for total workforce)	Achieved RIFR of 6.2 for total workforce for 2011 (75 injuries)	Reduce RIFR to less than 5 for total workforce for 2012

¹⁰ Number of injuries (medical treatment beyond first aid) per million man hours worked.

¹¹ Percentage of absent hours based on total planned hours for 2011.

¹² This figure includes the various Nestlé in the Market businesses which were not included in previous Reports.



Our aim is to enhance the quality of consumers' lives by helping them achieve and sustain healthy and active lifestyles leading, ideally, to better quality of life.

For our initiatives to have a large scale impact, we continually focus on improving the nutritional profile as well as taste, as our products must remain attractive to consumers.

'Good Food, Good Life' - As a world leading nutrition, health and wellness (NHW) company our aim is to enhance the quality of consumers' lives by helping them achieve and sustain healthy and active lifestyles leading, ideally, to better quality of life. We pursue this aim through two main approaches: firstly, by offering products of high nutritional value, particularly to people with specific nutritional needs or of limited means; and, secondly, by educating and promoting healthy diets and lifestyles through clear and responsible marketing and communication.

To manage these areas we have comprehensive policies and management systems in place both at a global and local level. The Nestlé Nutritional Profiling System, based on public health recommendations and consumer science, is designed to support product development by constantly optimising the nutritional composition of products. Our Quality Policy and management system helps us comply with all internal and external food safety, regulatory and quality requirements at all product lifecycle stages, providing consumers with confidence in our products and in our brand¹³. Specific product policies cover topics including the reduction of saturated fats, trans-fatty acids, salt and sugar levels in products and nutrient fortification.

Our Consumer Communication Principles govern our approach to both product labelling and responsible marketing. Alongside this sits our policy on marketing to children. In addition, Nestlé's Claim Development Standard governs all our nutrition and health claims. We ensure that our employees are equipped to implement and comply with these policies through periodical reviews, implementation guidelines, monitoring and induction processes, and ongoing training.

We believe that consumer choice will be increasingly driven by nutritional awareness and the desire for improved health and wellness, and this is where the future of our company lies. Hence, our NHW strategy focuses on two things — continuous

improvement of the nutritional profile of our product range, and awareness-raising through responsible marketing, clear labelling and nutritional education.

NUTRITION and HEALTHY DIETS

Helping consumers achieve and sustain healthy and active lifestyles begins with encouraging a healthy diet, and addressing conditions such as nutritional deficiencies or obesity. Good nutrition is critical to achieving this and represents one of our three global CSV priorities. Our NHW strategy includes continuous improvement of the nutritional profile of our product range, particularly where nutritional needs or affordability are an issue.

Walking the Talk

This journey has to start with creating a culture of health and nutrition amongst our own employees and their families. Our employees are central to getting the nutrition message out to the community and they also play a key role in health and nutrition innovation.

In Oceania, we deliver internal nutrition training to our employees through a regional trainer. However, achieving our 2011 commitment to provide nutritional training to all our employees has been a challenge for us. Recognising that face-to-face training across Nestlé Oceania is difficult, a fun and engaging DVD was developed and distributed to those employees whom we were not able to train directly. We followed up on this DVD with a post-evaluation quiz.

Healthy and Tasty Products

For our initiatives to have a large scale impact, we continually focus on improving the nutritional profile as well as taste, as our products must remain attractive to consumers. Our marketing and advertising efforts focus on those products which have successfully found the 'sweet spot' in terms of taste and nutrition.

¹³ Please refer to the Consumer Satisfaction section of this CSV Report to read more about how we manage food safety, quality and consumer satisfaction.



While we ensure great taste through Nestlé's proprietary '60/40+' initiative, the nutritional value of our products is controlled through our Nutritional Profiling System which classifies those that achieve Nestlé Nutritional Foundation (NF) criteria. The NF criteria set thresholds for public health sensitive nutrients such as sodium, fat, saturated fat and sugar for categories of food. In 2011, we audited 100%¹⁴ of our Australia and New Zealand products against the Nutritional Profiling System, with 66%¹⁵ of products achieving the NF status, the same as in the previous year.

To improve the nutritional value of our products, and to promote them responsibly, we employ 31 dietitians and nutritionists. They are involved across our products' lifecycles and are responsible for providing critical insights to help improve products' nutritional profiles. In 2011, a key achievement for us was the placement of a nutritionist in every division.

Table 10: Health, Nutrition, Wellness

	2008	2009	2010	2011
Nutritional Profiling completed (% of products analysed for nutritional value) ¹⁶	100%	100%	100%	100%
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of total sales) ¹⁵	NR	63%	66%	66.16%
Number of new or renovated products for nutrition or health considerations (number of renovated products) ¹⁵	62	73	87	64

We also renovated a total of 64 products for nutrition or health considerations, relying on advice from our nutrition experts. Nutritional value is also a key consideration when innovating new products. Product improvement initiatives included:

- Lowering saturated fat (2.2%), sodium (20.2%) and sugars (5.7%) in our products¹⁷;
- Adding iodised salt to products (6%);
- Fortifying a range of products within the Pacific Islands market, including MAGGI noodles for the Papua New Guinea market with iron, iodine, vitamin B and zinc;
- Discontinuing our Fruit Break Twists as they did not meet our sugar policy;
- Removing artificial colours from six of our major chocolate brands including Smarties, Jaffas and Freckles;
- Reducing sodium in 17 of our culinary products (sauces, gravies and soups);
- Reducing sugar in 27 of our culinary products (sauces, gravies and soups);
- Reducing total fat in 10 of our culinary products (sauces, gravies and soups);
- Adding iodized salt to both of our two minute noodles products in PNG; and
- Increasing the range of gluten free products in our Nestlé Professional business with the launch of two new gluten free soups; Sweet Potato and Pumpkin and Cream of Cauliflower.

More information about the nutritional value of our products and how we manage this is available on our website. For more on how we educate on nutritional value to increase consumer

¹⁴ Excludes Nestlé In the Market (such as Purina, Nestlé Professional and Nestlé Nutrition) and Cereal Partners Worldwide.

¹⁵ Percentage is based on sales.

¹⁶ Excludes Nestlé In the Market (such as Purina, Nestlé Professional and Nestlé Nutrition) and Cereal Partners Worldwide.

¹⁷ Percentages indicate % of total sales volume of consumer products that are lowered in such ingredients.

awareness, especially amongst vulnerable groups and in remote regions across Oceania, please see the Community section of this report.

RESPONSIBLE MARKETING, LABELLING and EDUCATION

Responsible Marketing

Marketing our products responsibly, clearly and ethically is an ongoing commitment for Nestlé Oceania. It is underpinned by our Nestlé Consumer Communication Principles, plus various policies and initiatives around marketing to vulnerable groups, including to children.

In 2010, Nestlé Oceania had two compliance breaches in relation to the Responsible Marketing to Children Initiative (RCMI) that regarded advertisements for our Smarties Peters Drumstick products. We took steps to prevent this from occurring in the future and are pleased to report that, in 2011, there were no non-compliances with regulations or codes concerning responsible marketing and communications. We further strengthened our Policy on Marketing Communication to Children by extending it to address digital media and tightening its requirements around programming for younger audiences.

We will continue to strive for zero non-compliance and to focus on broader initiatives relating to children, such as product renovations and nutritional educational initiatives.

Responsible Product Labelling

While there are various regulatory frameworks controlling responsible food labelling, we believe that our obligations go well beyond compliance. We aim to lead by example and to contribute to the wider labelling debate by engaging with industry bodies, associations and not-for-profits to share our insights and experience.

In 2011, Dr Penny Small, Accredited Practising Dietitian and (then) Head of Corporate Nutrition for Nestlé Australia, won the Dietitians Association of Australia (DAA) President's Award for Innovation with her cookbook 'The Food Lover's Diet'. The book was written to help consumers make informed food choices by understanding and negotiating industry food labels, particularly Percentage Daily Intake (%DI)¹⁸, in order to achieve healthy balance in their everyday diet.

Our global-first nutritional labelling system, the Nestlé Nutritional Compass, helps consumers make informed decisions about our products. It includes a standardised nutrient table, explanations of the ingredients and nutrients the product contains, the Nutrition, Health and Wellness messages plus links to more information. By the end of 2011, 99% of our products carried the Nutritional Compass, compared to 97% the previous year. We also began to engage with our Consumer Insights team to provide advice on trends around consumer interests and we plan to incorporate these insights into our Nutritional Compass, for instance through FAQs on products that respond to a particular consumer interest.

We also increased the percentage of products with %DI on their packaging, detailing energy and key nutrients in the product. At the end of 2011, we achieved 99% coverage of our products for %DI.

Table 11: Responsible Product Labelling

	2008	2009	2010	2011
Products with Guidelines Daily Amounts [% Daily Intake (DI)] labelling (% of sales) ¹⁹	59%	94%	94%	99%
Products covered by Nestlé Nutritional Compass (% of sales) ¹⁸	97%	97%	97%	99%

Nutritional Education and Promotion of Healthy Lifestyles

"Good Food, Good Life" represents our philosophy of the interconnectedness of happiness and healthiness. We believe we have an obligation to promote healthy and active lifestyles and educate on the underlying principles of nutrition and a balanced diet. To achieve this, we undertake a number of awareness and education initiatives related to health, nutrition, exercise, fitness and broader public health issues such as obesity.

A key achievement in 2011 was the launch of our Happily Healthy Initiative, setting out to investigate the link between happiness and healthiness, and to influence the positivity and wellbeing of all Australians' Happily Healthy Quotient (HHQ). Through an open source online survey, participants contributed answers that help guide experts to build a picture of Australia's level of happiness and healthiness. With over 85,000 completed tests, the project has the potential to be one of our highest impact CSV initiatives. Our ultimate goal is to see the Happily Healthy Initiative grow into a significant open resource on health and happiness issues.

In addition to the Happily Healthy Initiative we ran a number of projects during 2011 that addressed nutrition, health and wellness. (Please see the Community section of this Report for health-education and physical activity related initiatives). These 2011 activities include:

- **Creating healthier menus for miners:** working at mining sites is known to significantly contribute to elevated obesity. To help miners achieve a healthier and more balanced diet Nestlé Professional, our dedicated Food Service business, partnered with a key customer that caters for some of Australia's largest mining companies.
- **Portion Plate Education:** To help consumers understand the importance of portion control Nestlé sent out a "portion plate" to over 4000 dietitians to assist them when talking to their patients.
- **Nestlé websites:** our Australian and New Zealand websites bring together the latest health, nutrition and product resources for our consumers and other stakeholders. The websites contain detailed nutrition information and resources, food allergen information, and expert advice. Consumers are also able to register and receive relevant news and information about food allergens.

Nestlé Oceania also contributes to public debates and industry developments to promote healthy active lifestyles. It seeks to improve consumer and industry behaviour through working with a number of not-for-profit health, sport and professional associations including the Dietitians Association of Australia, the Allergen Bureau, the National Heart Foundation (NHF), Go Grains, Australian Institute of Sport (AIS), Healthy Kids Canteen Association and the Glycemic Index Foundation. We also

¹⁸ %DI provides guidance on energy and key nutrients contained in a product based on an average daily diet of 8700kJ.

¹⁹ Excludes Nestlé In the Market (such as Purina, Nestlé Professional and Nestlé Nutrition) and Cereal Partners Worldwide.

Table 12: Quality and Food Safety

	2008	2009	2010	2011
# Of Oceania Quality and Food Safety Complaints ²²	30,427	23,568	23,635	23,171
Percentage of manufacturing sites certified against Nestlé Quality Management System / ISO 22000	N/A	100%	100%	100%

Table 13: Consumer Services - Enquiries²³

	2008	2009	2010	2011
# Of Nestlé Australia and Pacific Island Consumer Services Enquiries	88,253	87,076	76,954	68,551
# Of Nestlé New Zealand Consumer Services Enquiries	18,098	17,494	16,351	15,805
# Of Purina Australia Enquiries	8,348	10,833	15,608	15,405
# Of Purina New Zealand Enquiries	2,629	3,244	3,030	2,883
# Of total enquiries	117,328	118,647	111,943	102,644

Table 14: Consumer Satisfaction²⁴

	2008	2009	2010	2011
Consumer services satisfaction for Nestlé Australia	NR	68%	73%	86%
Consumer services satisfaction for Purina Australia	NR	NR	NR	90%
Consumer services satisfaction for Nestlé New Zealand	NR	94%	95%	99%

collaborate and work with industry organisations including the Australian Food Grocery Council (AFGC), the Australian Industry Group (AI Group) and Be Treat-wise working group, as well as the Weight Management Council of Australia (Nestlé Health Sciences).

CONSUMER SATISFACTION

While we continue to invest time, effort and insight into healthy products, consumer satisfaction is the real test to how we are performing. This involves both food safety and quality management at the prevention end, and our consumer services at the customer feedback end.

To ensure the food safety and quality of our products goes well beyond compliance we need to demonstrate to our consumers that they can trust the Nestlé brand. Our Food Safety Management System (FSMS)²⁰ is integrated into the broader Nestlé Quality Management System (NQMS), and certified to the internationally recognised Food Safety System 22000 (FSSC22000) including ISO22000. FSSC also includes a food safety risk assessment process²¹ to ensure control of biological, chemical, and physical hazards. Each and every Nestlé product is covered by our NQMS, starting with our consumer requirements, through to suppliers (see Our Supply Chain in this Report), manufacturing, distribution, sales and consumption. In 2011, all our Oceania factories and manufacturing sites were independently audited against our NQMS and ISO 22000.

We are also pleased to report that we met our commitment for 2011 to further reducing complaints related to product quality and safety. We received no fines for non-compliance with laws and regulations concerning the provision and use of our products and services, and we intend to maintain this high level of performance for the future.

The Consumer Services teams are responsible for managing consumer complaints efficiently and effectively so that we retain consumers' loyalty to our products. Through 'Good to Talk' that appears on all our packaging we encourage consumers to contact the Consumer Services department with any enquiries.

In 2011, Nestlé Oceania received a total of just under 103,000 enquiries, down 8% on 2010. The number of enquiries includes those that were classified as a food safety or quality complaint. As such, the drop in enquiries has been influenced by the drop in complaints and enquiries related to social, environmental and ethical issues. A number of enquiries in 2010 related to the 'Stop the Traffik' campaign (focusing on the use of sustainably sourced cocoa) and the use of palm oil, but these types of contacts were less prevalent in 2011.

Training is an integral part of Consumer Services' delivery. It occurs not only during our induction process but also on an on-going basis to ensure we retain consumer loyalty to our products and brands. We also measure consumer satisfaction with our consumer services through an annual survey. The results in 2011 showed an increase in consumer services satisfaction across Oceania, particularly for Nestlé Australia with an 18% increase. Consumer feedback is a fundamental input to our business and the Consumer Services teams are responsible for the 'Voice of the Consumer' report which shares critical information received from consumers with key Nestlé internal stakeholders to help our business meet consumer expectations with our products and services.

20 Our Nestlé Food Safety Management System (FSMS) is aligned and independently certified to the internationally recognised Food Safety System 22000 (FSSC22000) which includes ISO 22000:2005 Food safety management systems – Requirements for any organisation in the food chain, BSI PAS 220:2008 Prerequisite programs on food safety for food manufacturing and BSI PAS 96:2008 – Defending food and drink.

21 Hazard Analysis Critical Control Point (HACCP) approach.

22 Includes any complaints received from within Oceania.

23 Includes any type of enquiries received by our Consumer Services Team including those that are classified as a complaint.

24 Consumer satisfaction is based on consumers who believe that overall, the service provided by the Consumer Services team met their expectations.

2011 TARGETS AND COMMITMENTS

Table 15: 2011 Targets, Progress and 2012 Targets

Targets 2011 and beyond	2011 Status / Progress	New targets 2012 and beyond
Reduce the level of sugar in selected products by at least 5% by 2012	Achieved overall reduction in sugar levels of 5.7%	Collect baseline data of volume of sugar used in our products through the manufacturing value chain to set future targets
Ensure 100% of Nestlé's product range comply with our Trans Fatty Acids (TFA) requirements	Space Food Sticks and Popcorn are the only products that do not comply	100% of our products comply
Renovate popcorn product to reduce trans fats and remove any products from our range that do not meet our trans fats standards	Popcorn will comply with Trans Fat standards in Q1 2012 Space Food Sticks will comply by end Q3 2013	All products to meet trans fats standards by end 2013
Undertake audit against the Nestlé Nutritional Profiling System for the Pacific Islands	Completed for Noodles (this is 80% of total sales in the Pacific Islands)	PNG and Fiji Noodles Nutrition Profiling completed
Fortify MAGGI noodles in PNG and Fiji with Iron, Iodine, Vitamin B, Zinc to help consumers meet their dietary requirements	Noodles in PNG and Fiji have been fortified with Iron, Vitamin B1, B2, B3 and Zinc and made with iodised salt	More than half of all Nestlé sales in NPI include products that have been fortified MAGGI noodles have been fortified with iron, iodised salt, zinc, and Vitamins B1, B2 and B3 to address micronutrient deficiencies in the local population Other Nestlé products that have been fortified include MAGGI bouillon, Sunshine Milk Powder and Milo
Reduce saturated fat in MAGGI noodles in PNG by 2.4% to meet Nestlé Nutrition Foundation standards	Achieved 4% reduction between 2009/11	Reduce sat fat in noodles by up to 5% by end 2013
Engage consumers in a way that drives increased nutrition and creates demand for a healthy food supply	Launched Happily Healthy Initiative; released Food Lover's Diet book to guide consumers in the use of %DI	Incorporate consumer FAQs and answers in our evolved Nestlé Compass on back of pack where the size of the pack allows Increase tools and resources available to consumers on our website
Launch Health Kids Program in Polynesian schools	Program successfully continued in New Caledonia (see the Community development section of this CSV Report) but not rolled out in Polynesia	Have a Healthy Kids Program launched in every market in Oceania
Ensure 100% of our retail products where possible contain %DI labelling	Achieved 99% - 1% gap due to a few products where it is not possible to incorporate %DI on the packaging due to product size, or where the packaging update is yet to be scheduled due to low turnover of product	Maintain 2011 levels
Ensure 100% of Nestlé Oceania employees complete nutrition-based training by the end of 2011	Achieved delivery of nutrition training for 100% employees in Australia through both face to face and DVD. We also commenced rollout of NQ in Pacific Islands via face to face training	Roll out staff nutrition training via new Elearning modules to increase reach to 100% of our employees in Oceania Implement a new tracking system to monitor total volumes of Public Health Sensitive Nutrients (Sodium, Fat, Saturated Fat and Sugar) in the manufacturing of our products so that we have baseline data from which to set targets for 2012 and beyond Achieve 70% of products meeting or exceeding Nutritional Foundation profiling criteria (as % of total sales)



Environmental
footprint

We exceeded our energy and waste to landfill reduction targets, while our work in the packaging field maintained our position as a market leader.

In 2011, we were successful in exceeding our energy reduction target delivering a 6.3% reduction compared with a target reduction of 2.5% per tonne of manufactured product.

MANAGING OUR FOOTPRINT

Environmental sustainability is of high importance to us and to our stakeholders, particularly actively managing our environmental footprint. Environment management and protection is embedded in our Corporate Principles, and a key driver of our approach is our environmental strategy, based on Nestlé's Policy on Environmental Sustainability. In addition, our Nestlé Safety, Health and Environment System provides a framework for assessing and managing our impacts, our compliance with legislation and our delivery on our environmental commitments. Nestlé Oceania also has its own Environmental and Packaging Policies.

Nestlé Oceania looks to exceed regulatory standards wherever possible and report against several government regulations, including National Greenhouse and Energy Reporting (NGER), Australian Packaging Covenant (APC), and Environment and Resource Efficiency Plan (EREP). Each manufacturing site has individual plans (called Eco-Plans) that identify opportunities to reduce energy and water use, and waste generation. These plans are a key focus for all manufacturing sites in identifying and implementing efficiency measures.

Prior to 2011, our environmental footprint was managed primarily by the Safety, Health and Environment (SHE) Group within our operations group. Last year, certain responsibilities for environmental performance were transferred to our engineering department, driven largely by our belief that our engineering expertise can help us identify new opportunities in our manufacturing processes to improve our performance in energy and water consumption, to further reduce our greenhouse gas emissions and deliver the improvements we are committed to making.

In terms of overall environmental performance, 2011 was a year of mixed results. We exceeded our energy and waste to landfill reduction targets, while our work in the packaging field maintained our position as a market leader. However, we underperformed against our water and greenhouse gas reduction targets.

ENERGY and GREENHOUSE GASES

Energy management is a priority for the business. Our energy reduction strategy has two core activities: improving energy efficiency across our operations and expanding the use of renewable energy.

In 2011, we were successful in exceeding our energy reduction target delivering a 6.3% reduction compared with a target reduction of 2.5% per tonne of manufactured product. Efficiencies were achieved at most of our sites through opportunities identified in our site specific Eco-Plans. For example, our Gympie (Australia) operation improved its energy efficiency while also using biomass generation to reduce dependency on non-renewable energy sources at the site. In 2011, a boiler fed with a combination of discarded coffee grounds and locally sourced forestry by-products was also fully utilised for the first time. As energy prices increase, these initiatives will realise ever greater cost savings for the business.

Our overall greenhouse gas emissions fell by 0.9% per cent, which was just short of our 2011 target. We anticipate that the shift in managerial oversight to our engineering department should identify further opportunities to reduce overall emissions across our operations.

WATER

Water is a key focus area for Nestlé globally and one of our three global CSV priorities. The availability and quality of water is critical to manufacturing quality products for our consumers and to maintaining safe operation of our sites.

In 2011, within the Oceania region, we set a target of reducing water consumption by 4% per tonne of product. To achieve this, we focused primarily on the implementation of initiatives identified through the Eco-Plans at each site. However, we were not successful in meeting this target as our reduction was 1.7% per tonne of product. This was largely due to the consequences of trialling a new product line at our Tongala (Australia) site which consumed a significant volume of water. Although production did not officially commence, this counted

Case Study: Nescafé Gold Life Cycle Assessment

In collaboration with the Royal Melbourne Institute of Technology (RMIT), Nestlé Oceania completed its first life cycle assessment (LCA). This involved researching the environmental impact of each stage of selected packaging materials, from raw material extraction and processing through to the end of life. The project evaluated and compared the potential impact of two packaging formats - the 100g Nescafé Gold coffee glass jar (and polymer lid) and a 90g Nescafé Gold SMART Pack laminate pouch.

The SMART Pack used 73% less non-renewable energy, 66% less water and generated 75% less greenhouse gas emissions over its life cycle than the glass jar, and weighs only 9 grams. Consumers can easily identify the quantifiable environmental benefits of this packaging from information included on top of the pack.

Nestlé Oceania recognises that the laminate material is not currently recyclable in the Australian waste stream, however, we believe that its other environmental benefits are sufficiently compelling to introduce this packaging format.

This first LCA provided Nestlé Oceania with a range of learnings, the key one being that LCAs are complex processes that require regular, clear and transparent communication of roles and responsibilities, timeframes, and expectations.

As this project has helped us offer consumers a more environmentally sensitive product, we plan to conduct more LCAs in the future.

towards our total consumption and, therefore, affected our consumption rate per tonne of product manufactured. Leaks in our fire fighting lines at Mulgrave and Campbellfield sites (Australia), which have now been rectified, also contributed to significant water loss.

In 2012, we will continue to utilise our Eco-Plans to implement water reduction initiatives. We believe that looking at our sites through an engineering lens will better position us to succeed in meeting future targets.

PACKAGING

Given the nature of our business, packaging is a key part of our environmental and broader business performance. Innovative packaging reduces our environmental impact without compromising fundamental safety, quality and consumer expectations. At a global level, the importance of product safety to Nestlé Oceania has increased in recent years. Concerns regarding the transfer of toxins and pollutants from plastics, as well as considerations around end-of-life solutions and accessibility, all influence our packaging solutions.

Specific environmental considerations relating to packaging are guided by our policy on Environmental Sustainability and our Packaging Policy. Our Australian Packaging Action Plan 2011-15 has enabled us to implement a number of innovative solutions that reduced material usage.

We are reviewing our performance against the Australian Packaging Covenant to further guide packaging decisions and solutions. We have an opportunity to lead the market in addressing a range of packaging issues and to work with key stakeholders to improve our internal performance as well as that of the food and beverage sector more broadly.

In 2011, positive outcomes related to packaging included:

- The launching of a 'packaging wheel' tool that helps us to understand better how consumers and customers interact with packaging throughout its lifecycle. The packaging wheel will prompt thought and idea creation around packaging design to better enable incorporation of sustainability considerations at the concept phase of new product development.

- Nestlé Oceania achieved a 15% environmental improvement in the packaging of two products. The Maggi Fusian Cup and Ergos coffee jar were selected due to their high brand value to demonstrate to suppliers and consumers that better environmental performance is possible. The consumption of around 500 tonnes of material is expected to be avoided each year due to packaging modifications. Greenhouse gas emissions, energy use and solid waste performance were also improved for both products.
- We continued to collaborate with Arthritis Australia in the development of ease of use packaging. With an aging population and higher rates of arthritis and other debilitating diseases, consumer's ability to easily open and use a product is of increasing importance. During 2011, we completed 12 accessibility studies, with the results leading to design modifications to improve ease of use.

In contrast, some of our commitments and plans around packaging were not realised:

- The development of a 'buy recycled' policy was not undertaken. At present it is not considered an appropriate policy to develop due to the multiple objectives regarding the purchasing of packaging materials. Our existing supply policies and processes, for example, Nestlé's Supplier Code, support environmental principles and encourage improved performance.
- Through Nestlé Oceania's engagement with the Australian Food and Grocery Council (AFGC) we are working towards providing solutions to a number of Australia's packaging and waste issues. We will continue to seek solutions that improve consumers' ability to recycle packaging and to clearly advertise appropriate waste disposal approaches.

WASTE and RECYCLING

Waste management is managed at a site level across the Oceania region through Eco-Plans. The global Nestlé Continuous Excellence (NCE) initiative offers an approach that optimises operational performance, including waste. The NCE uses a catchphrase of 'LEAN Thinking' that aims to eliminate unnecessary resource use and waste generation, and also to address manufacturing processes that do not add

value to how our products are perceived by consumers and customers.

In 2011, within the Oceania region, we set a target of reducing our waste to landfill by 2.5%. To achieve this, we focussed primarily on improving our processing lines' performance and our recycling processes and to that end we have been very successful. Compared with 2010, we achieved a 14% reduction based on kgs per tonne of product.

2012 TARGETS and COMMITMENTS

We have articulated a strategy to help reduce our environmental footprint, involving greater organisational awareness, improved measurement processes, and better use of new tools and technologies.

To create awareness across the business, Nestlé Oceania will establish a cross-functional network of professionals to regularly communicate our efforts to improve environmental performance. This will include training, leveraging our existing engineering expertise and supporting of senior management to help drive this shift in operational management. Improving our measurement procedures will also enable us to better identify opportunities to improve efficiencies and to allocate capital expenditure investments.

Through these approaches, Nestlé Oceania will be better placed to optimise performance, implement best practice mechanisms, and better understand and address the use of renewable energy.

Table 16: 2011 Targets, Progress and 2012 Targets

Targets: 2011 and beyond	2011 Status / Progress	New targets 2012 and beyond
Reduce energy consumption (per tonne of product) by 2% in 2011	6.3% reduction based on GJ/t compared to 2010 ²⁵	2% reduction based in GJ/tonne compared to 2011
Reduce water consumption (per tonne of product) by 4% in 2011	1.7% reduction (based on m ³ /tonne compared with 2010)	4% reduction in m ³ /tonne compared to 2011
Key environmental sustainability issues and risks to be reviewed during 2012	Key areas of focus in 2011 were: <ol style="list-style-type: none"> 1. Carbon Price and emissions risk. The risks were estimated and a carbon management strategy was developed 2. Responsible Sourcing (refer to Procurement section) 3. Reputational risks due to packaging changes and/or environmental claims; managed via internal governance process 4. Environmental impact of operations (refer to information in this section) 	Review of sustainability initiatives
KPIs for Hero Projects Environmental: 1. 15% reduction in environmental impact (energy, water, waste, climate change) of two hero projects p.a. when compared with existing or competitor product 2. Reduce environmental impact (energy, water, waste, climate change) of 10 projects p.a. when compared to existing or competitor products Ease-of-Use of Nestlé products: 6+ score for one hero project p.a.	The Maggi Noodles Fusion Cup delivered both a 6+ accessibility benchmark score and a significantly improved environmental performance during the reporting period Oceania Ergos Launch (May 2011) delivered an overall minimum 15% environmental impact reduction compared to the previous jar design. The individual jar weight was reduced from 290g to 255g and the cap weight from 23g to 18g, resulting in an annual material weight reduction of 487 tonnes	Improve environmental performance of ten packaging projects per annum and report results annually Complete a minimum of five ease of use assessments using the benchmark scale per year. Report the number of assessments and results (where not commercial in confidence) Complete Wave One of Safety and Compliance Program and ensure suppliers have attained Certificate of Compliance certification
Reduce greenhouse gas emissions by 1% based on 2010 absolute volume in 2010	1% reduction compared with 2010 emissions ²⁶	Maintain greenhouse gas emissions levels in line with 2011 emissions levels
2.5% reduction based on 2011 total volume	13% reduction in waste sent to landfill during 2011	2.5% reduction compared with 2011
		Commence environmental data collection at all Oceania distribution centres and publicly report this information annually in Nestlé CSV Report

²⁵ Oceania factories only.

²⁶ This currently covers our material emission sources – electricity, gas and other sources of scope 1 energy emissions - from our factories.



Sourcing, Agriculture
and Our Supply Line

Nestlé Oceania works in collaboration both with regional agencies and our global head office to manage procurement in an efficient, effective and ethical manner.

Nestlé Oceania understands its responsibility to procure commodities and materials that are sourced in an ethical manner.

OUR SUPPLY CHAIN

Nestlé Oceania has a complex and diverse supply chain and depends on its suppliers for the production of high quality goods. Manufacturing products in a range of food and beverage categories means we procure a large variety of commodities from diverse locations. Nestlé Oceania works in collaboration both with regional agencies and our global head office to manage procurement in an efficient, effective and ethical manner.

For many of our suppliers, 2011 was a year of challenges. Many Australian farmers were significantly affected by flooding in Queensland, New South Wales and Victoria. Further abroad, other natural disasters, in particular the Fukushima earthquake and tsunami, and subsequent radiation concerns caused problems for many Nestlé Oceania suppliers.

Nestlé's Corporate Business Principles form the foundation of all we do. Compliance with the Principles and their related policies is non-negotiable for all employees and their application is regularly monitored and audited.

Nestlé Supplier Code

The Nestlé Supplier Code extends our Corporate Business Principles to our supply chain, specifying certain non-negotiable minimum standards expected of our suppliers.

It forms part of our purchasing processes and procedures, and all new suppliers are required to conform to the Code as part of any contract entered into with Nestlé. In 2011, we embedded processes to ensure that 100% of our suppliers accepted the Code as part of the tender process. We completed formal assessments against a range of non-financial considerations, such as environmental sustainability, safety, risk management and compliance, through our supplier selection process. These requirements were assessed alongside more traditional elements, such as price and service delivery.

Responsible Sourcing Program

The Responsible Sourcing Program puts the Nestlé Supplier Code into practice to help identify and address social, ethical and environmental risks across our supply chain. The Program also provides a framework for Nestlé and its suppliers to work together to improve sustainability performance and address non-compliance issues. Suppliers identified as high risk are audited every three years, with low risk suppliers assessed every five years. In 2011, there were no high risk suppliers identified in Oceania.

Working closely with other Nestlé regions and offices, certifiers such as Rainforest Alliance, 4C Association, UTZ CERTIFIED and Fair Trade also carry out verifications and audits to ensure compliance with respective standards.

ETHICAL SOURCING and SUSTAINABLE AGRICULTURE

Nestlé Oceania understands its responsibility to procure commodities and materials that are sourced in an ethical manner. Our brands involve some of the most complex supply chains in the world, including coffee and cocoa, with the significant challenges that products those encompass.

Some commodity procurement is managed entirely through other Nestlé regional offices in conjunction with Nestlé's global head office. This limits Oceania's ability to influence many individual suppliers and commodity sourcing practices.

A range of commodities such as cocoa, coffee and palm oil are managed directly by our global head office and there has been significant effort in recent years to improve the ethical procurement practices for these commodities, including labour, environmental and human rights standards. We are committed to improving the standards of workers and reducing child labour in the cocoa supply chain, improving agribusiness education in regions that produce coffee, and reducing environmental and biodiversity harm in South East Asia through the development of palm oil plantations.

During 2011, Nestlé agreed to work with the Fair Labour Association (FLA) to investigate child labour in cocoa farms supplying our factories. Nestlé is currently seeking to become the first food company to join the FLA, with independent experts examining our supply chain in Côte d'Ivoire.

Nestlé's Cocoa Plan is a 10 year commitment to provide higher quality cocoa plantlets to farmers and to improve traceability in this long and complex supply chain. Nestlé Oceania works with two organisations, UTZ Certified and Fairtrade, to help improve responsible and sustainable practices in this area for these raw ingredients. In 2011, 34% of chocolate procured by Nestlé Oceania was UTZ Certified. This is a significant increase over the 4% certified in 2010.

In the Oceania region, we continued to improve relations in the Papua New Guinean coffee supply chain, working to improve agribusiness knowledge and sustainable agriculture practices. Almost 30% of the beans processed at our Gympie site (which manufactures 100% of Nestlé Oceania's coffee), was certified 4C, an industry coffee certification program. We aim to increase this amount in 2012 and to work with suppliers and farmers in building this capability.

While palm oil is not a significant raw ingredient of our products, we acknowledge the environmental and social challenges related to that industry. We have a role to play in the development of a sustainable palm oil supply chain and remain an active member of the Roundtable on Sustainable Palm Oil, in addition to our seat on the Australian Food and Grocery Council (AFGC) working group on sustainable palm oil. All of the palm oil Nestlé Oceania procured in 2011 was Green Palm certified. At present there is no clear industry definition of what sustainable palm oil is. For Nestlé Oceania, we consider Green Palm certificates as being the stepping stone to full Identity Preserved or segregated certified palm oil by 2015.

LOCAL FARMING and SOURCING

Local manufacturing using locally sourced ingredients is important to Nestlé Oceania. We source a range of grains

from the Oceania region, including oats, wheat and rice. In 2011, we increased the amount of locally manufactured commodities to 77%.

Oats are one of our most sourced commodities by product volume. In 2011, we procured 30,000 tonnes of oats, 12,000 of which were sourced from farms within 100km of our manufacturing facilities. We worked proactively with farmers in supporting them sowing and harvesting oats. Oats are historically an option that farmers have when considering their crop rotation program, so we need to ensure that the price we offer for oats is competitive when compared to other grains. Our Uncle Tobys division is therefore working collaboratively to support farmers by paying them a premium to make oats a more cost-competitive crop to grow.

Our 15 year association with the South Australian Research Development Institute (SARDI) continued in 2011. SARDI is responsible for the National Oat Breeding Program, and Uncle Tobys is the only private company that funds and collaborates with the group. This association allows Uncle Tobys to work directly with SARDI scientists and breeders to provide feedback and discuss which new varieties will deliver benefits to growers, manufacturers and consumers. Our active contribution to oat variety development results in oats that are appropriate for use in our products and that address agronomic requirements (for example disease resistance and drought tolerance). The development of these varieties gives certainty to farmers with that there is a ready market for their production.

During 2011, Nestlé Oceania completed a comprehensive economic modelling analysis of the Australian grain market. It resulted in 'cost of production' data for four key competing grains – wheat, oats, canola and malting barley. With this we were able to determine a competitive price to offer farmers for oats, based on input costs, yield analysis and expected acreage sown. We are also able to guarantee the long-term production of oats in key growing regions by addressing concerns around the economic sustainability of the industry.

2012 TARGETS and COMMITMENTS

Table 17: 2011 Targets, Progress and 2012 Targets

Targets: 2011 and beyond	2011 Status / Progress	New targets 2012 and beyond
Undertake a risk assessment of all packaging and ingredient suppliers to identify any potential risks associated with origin of manufacture	Traceability project completed. 30 high risk suppliers identified	Complete 15 supplier audits of those identified by the traceability project as high risk in 2012
All key packaging and ingredient suppliers in PNG to receive and acknowledge the Supplier Code	100% of suppliers in Oceania receive Supplier Code, including all in PNG	Source 15,000 tonnes of oats from within 100km of manufacturing plant (Rutherglen, Australia) 34% of cocoa sourced to be UTZ certified 29% of coffee sourced to be 4C certified



Case Study – Traceability Program

During 2011, Nestlé Oceania conducted its first comprehensive risk assessment of its supply chain to develop a robust framework to categorise suppliers.

Our risk assessment criteria included sustainability, continuity of supply, region, price, reputation, and supplier performance, delivery and quality. Getting sufficient information from a wide variety of suppliers across the world was a challenging task. It required working closely with suppliers to reassure them that the information they provided would be used to support them more effectively. In cases of non-compliance, we worked collaboratively with suppliers to assist them in improving their operating and sourcing procedures.

We source raw ingredients from 50 countries, and packaging materials from 19 countries. The assessment identified 97 risks, the majority of which related to continuity in supply. Three suppliers were identified as requiring to be audited and these were completed.

This process of analysis became vital to Nestlé Oceania following the earthquake in Japan in March 2011. We were able to complete an analysis of our suppliers and identify which ingredients or packaging was sourced from this region and could be potentially affected by radiation. As a result, we were able to switch to suppliers from other regions that were not affected. This enabled supply continuity, while maintaining the health and safety of our products.

This analysis will be conducted bi-annually to update our risk categorisation and to conduct assessments of any new suppliers. For 2012 and 2013, Nestlé Oceania has identified 30 suppliers of high risk that require auditing. In 2012, we will complete 15 of these audits, and aim to have 95% completed by the end of calendar year 2013.

We look to foster strong long-term relationships with the communities in which we operate. This can only be achieved through initiatives that bring value to both the community and our business.

Our community partnerships, related programs and sponsorship activities all come together under the Nestlé Good Life Program. To have the greatest possible impact, we focus on areas where we believe we can add the most value: food, nutrition, and health and wellness.

Nestlé Oceania looks to foster strong long-term relationships with the communities in which we operate and we believe that this can only be achieved through initiatives that bring value to both the community and our business. Our approach not only brings community members and our employees closer together, but also enables meaningful community contributions beyond simple philanthropic support.

While there were some aspects of our community approach that will require further attention in 2012, overall we are very pleased with what we were able to achieve during 2011. We commenced a number of new initiatives and significantly expanded some on-going projects.

COMMUNITY DEVELOPMENT

Nestlé Oceania's community partnerships, related programs and sponsorship activities all come together under the Nestlé Good Life Program. To have the greatest possible impact, we focus on areas where we believe we can add the most value: food, nutrition, and health and wellness. These are areas where we can best contribute our expertise, scientific insight and decades of experience. We also support a range of environmental initiatives in our communities.

Throughout 2011, we contributed a total of \$7.8 million to various communities across Oceania through different projects within our Nestlé Good Life Program (see below). In addition, Nestlé Oceania provided broader in-kind support as well as increased staff volunteering time during 2011.

Table 19: Community Investment²⁷

	2008	2009 ²⁸	2010	2011
Total community investment (AUD\$)	\$4,044,750	\$5,033,416	\$7,799,489	\$7,837,394

Nestlé Healthy Kids Global Program

The large-scale, and increasing global, health and development burden posed by non-infectious diseases is a concern to Nestlé across all of Oceania. The Nestlé Healthy Kids Global Program aims to increase both basic knowledge of nutrition and physical exercise in school-aged children through implementing various projects at the local level. By reaching out to children at an age when they are forming attitudes and behaviours, the program aims to develop positive habits early to help maintain a healthy body weight and continue leading healthy lives as they get older.

Nestlé Oceania has been running projects in Australia, New Zealand and the Pacific Islands for several years and we intend to expand these to all countries where we operate.

Australia

In 1999, in partnership with the Australian Institute of Sport (AIS), we developed 'Get the AIS into your Classroom' — a resource for teachers which provides lesson plans on the importance of healthy eating, nutrition and physical activity for upper primary school students. In 2011, in response to feedback we received from teachers and education professionals, this resource was reviewed, updated and re-launched as 'Healthy Active Classroom'. The re-vamped resource is a great tool for primary school teachers searching for a way to encourage their students to reconsider their behaviour and attitudes to a healthy, balanced lifestyle. It is free and easily accessible online, and is aligned with the curriculum of every Australian state and territory. The resource also includes pre-and-post-training assessment components to test its effectiveness.

More than half of Australian primary schools are now registered as users of the online resource, which represents a 50% increase of registrations compared to 2010 — a result

²⁷ Represents total financial contributions from Nestlé Australia, New Zealand and Pacific Islands in 2011 including those made through the NCEP that are also shown separately in the Nestlé Community Environment Program table. Does not include ad hoc in kind support provided by Nestlé.

²⁸ 'NCEP' Figure for 2009 includes Nestlé Australia only.

we are proud of even though we acknowledge there is more to do to reach every Australian primary school.

For 2012, we plan to pilot pre-and-post-education assessments to measure actual impacts on student awareness and behaviour change, as well as providing more interactive tools and digital resources for teachers. Nestlé also plans to re-launch the program in New Zealand.

New Caledonia

The Nestlé Healthy Kids Global Program was rolled out in New Caledonia in partnership with the Red Cross. It focuses primarily on the prevention of major health concerns such as obesity and vitamin/mineral deficiencies amongst children. School children learn about basic nutrition and good dietary practices, and are provided with a non-branded breakfast of high nutritional content. While the training content is provided by Nestlé Global, Nestlé Oceania trains the Red Cross staff to deliver the training to local schools in the region.

During 2011, the program reached a total of 1,360 children, covering 53 classes across seven public schools, two private schools and one activity centre in New Caledonia. Program evaluation showed a 30% increase in terms of general nutritional awareness.

For 2012 and beyond, we plan to expand the program's delivery through the Red Cross to other Pacific Islands, including Fiji and Polynesia.

Indigenous Community Contributions

Working with Indigenous communities has become an area that we have invested significant time and effort in over the past year, and one we are very passionate about. It was a year of orientation for us and we spent a great deal of time with Indigenous communities to understand their concerns and needs, and to identify where and how Nestlé can create shared value through meaningful partnerships.

We initially trialled a handful of selected programs that focus on supporting and contributing to the development of Indigenous communities across Australia. After a six month period and a review of the alignment of these programs with Nestlé Oceania's long-term ambitions, we decided to commit to two key partnerships: 'Role Models and Leaders Australia', a not-for-profit organisation which works specifically with the needs of Aboriginal girls across Australia, and 'Corporate Connect AB', a company partnering with corporate leaders to overcome Indigenous disadvantage.

We are looking to create and deliver meaningful projects which aim to improve the health and social outcomes of Australia's Indigenous communities by providing support and education to young people. We realise that creating mutual trust and long-term relationships takes time and patience, but we are proud of the progress that we have made towards these goals during the year. We were able to establish and strengthen relationships with a number of local Indigenous organisations and leaders, and engage widely in a variety of informal ways. The feedback we have received clearly indicates that Nestlé Oceania is respected and viewed in a positive light for these efforts.

We now have a greater understanding of the needs of some Indigenous communities and have a structured program which we will implement from 2012. We hope to see some of these efforts bear fruit with projects requiring possibly greater Nestlé resourcing in the medium- to long-term.

MAGGI Educational Roadshows in Papua New Guinea (PNG) and Fiji

With dietary micronutrient (particularly iodine) deficiency presenting a major challenge for the people of PNG, Nestlé Oceania continues to target local consumers in an effort to build healthy futures. We aim to achieve this through the promotion of nutritious eating, physical activity and a positive lifestyle.

Our MAGGI consumer road show 'Hamamas Dei', which means Happy Day, provides nutrition and hygiene education in a fun environment, delivered by our nutritionist teams in hands-on live cooking demonstrations.

During 2011, we achieved our commitment to deliver educational consumer road shows to 150 villages across PNG and to expand the road shows to Fiji where ten shows held during 2011. PNG presents a challenging communications and education market in terms of reaching rural and grass roots communities. During the year, we were able to significantly improve the road shows in terms of quality and resourcing and we are committed to enhancing these efforts in 2012 by focusing on improving the quality of the events. Throughout 2012, our target is to deliver road shows to a further 150 villages in PNG and 50 villages in Fiji.

Nestlé Oceania's Volunteer Program

At Nestlé Oceania, we believe that the most effective way to contribute our expertise and insight is through our employees. This is why the Nestlé Volunteer Program is a key part of our ongoing commitment to the community. By providing our employees with one day's paid leave annually to be used for volunteering, the program helps them to engage in something they are personally passionate about. The program is aimed at positively impacting their knowledge, awareness and behaviour. It also helps our communities to get to know us better and can build long-term trust and relationships.

Over the last two years, we have sought to encourage greater uptake of paid volunteering amongst our employees. With a total of just 129 volunteering days logged across Australia and New Zealand in 2010, in 2011, we adopted a more pragmatic approach, focusing on making the volunteering experience a team-building activity and taking on responsibility for all the logistics involved in volunteering. Nestlé Oceania respects personal preferences to volunteer outside of the work environment or through less 'hands-on' means.

As our new volunteering approach was launched in late 2011, it has not yet reached its full potential. We are pleased to have achieved 153 days of volunteer work across Australia and New Zealand in 2011, a 19% increase from 2010. In 2012, we will pursue greater uptake of Nestlé Oceania's Volunteer Program across the business.

The Nestlé Community Environment Program

Nestlé's Community Environment Program (NCEP) has been bringing our factories and the communities surrounding them closer together since its inception in 2003. The program is specifically aimed at delivering environmental sustainability outcomes at a local level, so the responsibility for any project delivered under the NCEP rests directly with the relevant Manager of each factory.

In 2011, we continued to support local environmental projects across the Oceania region.

Table 20: Nestlé Community Environment Program (NCEP)

	2008	2009	2010	2011
Community Environment Projects (through the Nestlé Community Environment Program) (AUD\$) ²⁹	\$425,000	\$340,416	\$167,273	\$164,083

In 2011, individual NCEP projects covered a diverse range of environmental aspects, including water quality and efficiency, revegetation, waste reduction and environmental education. Examples of these projects include:

- **Mulgrave Factory:** Nestlé formed a partnership with Scoresby Primary School to build a sustainable school garden with the aim of achieving a 40% reduction in waste. It provided students with the opportunity to learn new skills and gain ecological knowledge such as plant propagation, composting, the raising and caring for chickens, and organic pest control; and
- **Gympie:** Nestlé constructed artificial wetlands and ensured the supply of water to wetlands surrounding Lake Alford to improve water quality, habitats for local birds and other species, and provided educational signage on wetland fauna.

Other On-Going Community Partnerships and Programs

MILO and Cricket

For almost 20 years, Nestlé Australia has partnered with Cricket Australia through our MILO brand to support junior

cricket development (Milo Australia). In New Zealand, Nestlé has also supported junior cricket since 1986 (Milo New Zealand). We are proud of these long-term partnerships and that the number of children participating in cricket activities is increasing each year — 680,000 young Australians and New Zealanders played junior cricket 2011.

Uncle Toby's Royal Life Saving Society Australia

Since 2009, Uncle Tobys has been supporting Royal Life Saving Australia's Swim Kids program, to prevent drowning and raise the importance of water safety with parents. The program provides education for children on safe swimming and the importance of exercise and nutrition to achieve and maintain a balanced and healthy lifestyle. In 2011, the program reached more than 525,000 children within Australia.

Meals on Wheels, Australia

Age and disability can reduce an individual's mobility, independence and ability to remain in one's home. Meals on Wheels Australia helps make this possible through the delivery of nutritious meals, social interaction and regular visits. For more than 12 years Nestlé Australia has been supporting this iconic service, which also allows us to better understand, forecast and respond to the nutrition, health and wellness needs of the community, particularly the elderly.

Food Donations

Foodbank Australia has been a longstanding partner of Nestlé Australia and we are happy to have continued this partnership during 2011.

2012 TARGETS and COMMITMENTS

Table 22: 2011 Targets, Progress and 2012 Targets

Targets: 2011 and beyond	2011 Status / Progress	New targets 2012 and beyond
Nestlé Community Environment Program (NCEP) Program to continue in 2011	NCEP Program continued during 2011	NCEP to continue, noting that additional changes to the program mean that each site is now wholly responsible for executing its particular project
Community Programs and Partnerships		Maintain 2011 level of financial community investment (\$7.8 million)
Host CSV Village Roadshow in PNG and Fiji to promote happy and healthy generations through education on good diet practices, clean water, and exercise	Hold 150 CSV Roadshow events in PNG, and 50 in Fiji to continue to promote happy and healthy generations through provision of education on good diet practices, clean water and exercise	150 CSV Village Roadshows were held in PNG, and 30 in Fiji

²⁹ Represents financial contributions made through the NCEP in Oceania with NZ\$ converted to AU\$. There were no contributions through the NCEP within the Pacific Islands in 2011.



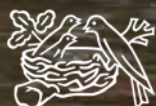
Contact us

We want to continually improve our Creating Shared Value reporting and ensure it is valuable for all of our stakeholders. We would welcome your comments and feedback.

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