

Nestlé Waters North America
Creates Shared Value by
focusing on business activities
where value can best be
generated for both society
and shareholders, including
water as healthy hydration,
water stewardship, building
community vitality and
packaging responsibility.



Letter from Our CEO and Our Chairman

Dear Stakeholders,

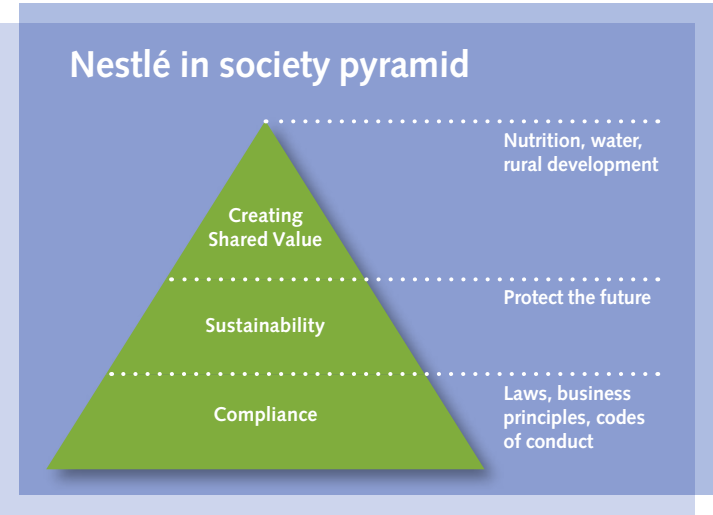
Today, with 10 of North America’s leading bottled water brands, NWNA is the largest bottled water company in North America by volume. We’re proud that we provide a product that helps people live healthier lifestyles. Our company’s growth and evolution are guided by our corporate citizenship approach called Creating Shared Value. We can help solve pressing social and environmental issues by taking responsibility for the sustainability of our operations and by working to help communities.

Our focus on sustainable packaging began more than 20 years ago, when we started lightweighting our bottles. Since then, we have reduced the PET plastic content in our most popular half-liter size bottle by 60 percent. We are beginning to incorporate rPET into some of our brands. In the future, we hope all bottles are recycled and captured for reuse, but for that to happen we need better recycling systems.

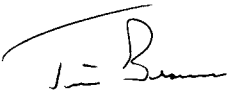
Right now, we believe that the best solution is a concept we’ve been promoting for some time: Extended Producer Responsibility (EPR). This model for recycling bottles and all other product packaging shifts responsibility for the recycling infrastructure to industry and helps to increase access to curbside recycling and recycling away from home. We are fostering ways to more efficiently collect and transport used product packaging to recyclers, thereby increasing the supply of rPET for our containers.

At the same time, we are minimizing our operational footprint. Society is facing large-scale sustainability challenges that require all sectors to work together to create positive solutions for water and energy. We hope this report encourages more participation in collaborative problem solving, the continued development of environmentally sensitive packaging and support for convenient, universally available recycling.

This summary focuses on our goals and targets. For more information about ways we have pursued these goals during the past two years, please see our full report online at <http://www.nestle-watersna.com/en/csv/corporate-citizenship-report>.





We can help solve pressing social and environmental issues by taking responsibility for our operations and by working to help communities.


Tim Brown, CEO


Kim Jeffery, Chairman

Water as Healthy Hydration

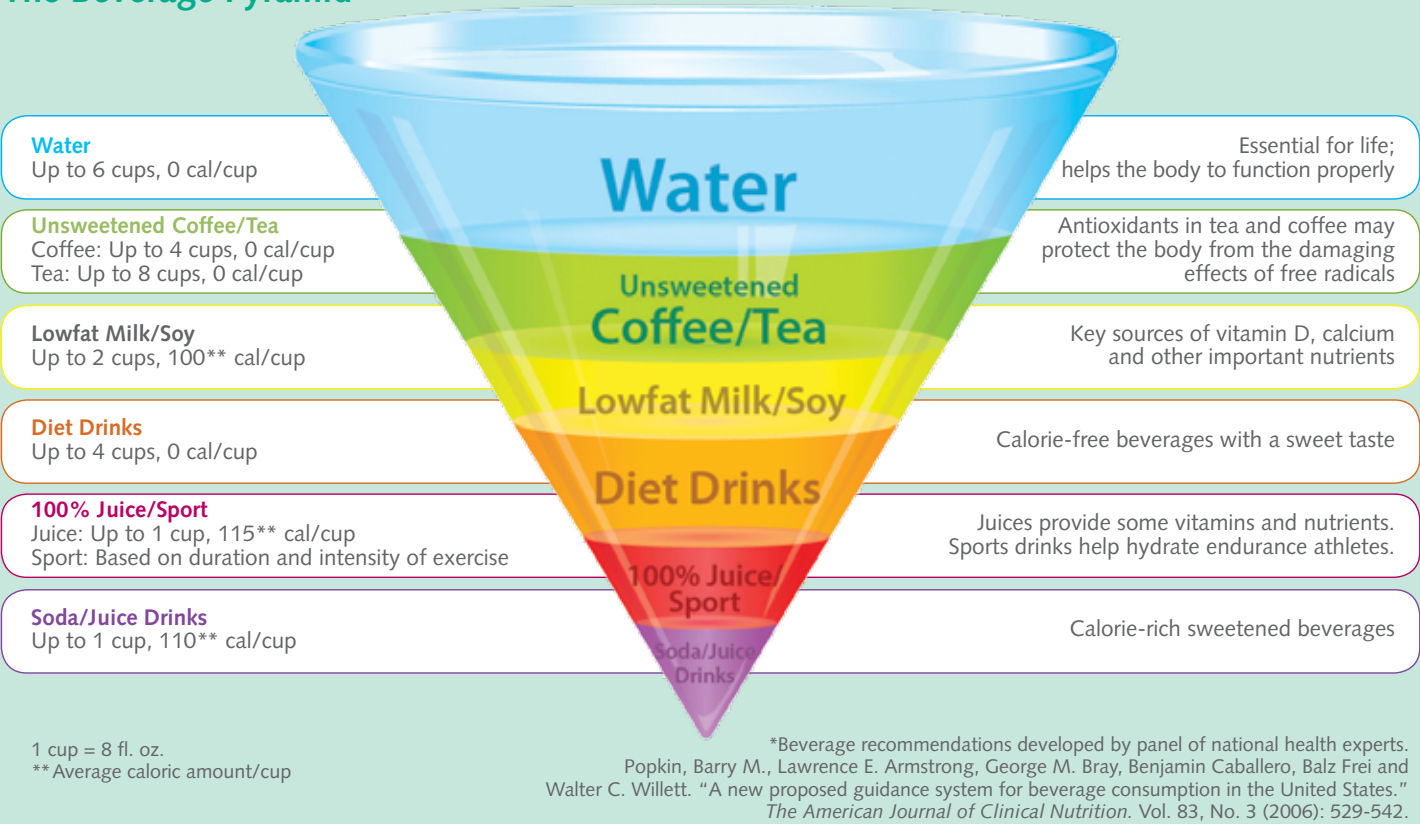
Water is essential to human health and wellness. Consumers can rely on NWN for convenient water choices and the assurance of our rigorous quality standards in everyday life, as well as in times of crisis. Our mission is to provide consumers with bottled water – one of the healthiest beverage options among the 1 billion servings of beverages sold in packages or dispensed from fountains into cups daily.¹ Today, Americans consume twice the calories from beverages as in 1980. More than 65 percent of adults and 33 percent of children in the U.S.,² and more than 30 percent of Canadians³ are overweight or obese. Much of the increase in calories consumed during the last 30 years is from beverages.⁴ But, providing healthy options is not enough.


-  **GOAL** – Advocate for water as essential to human health and wellness.
-  **TARGET**– Continue to educate and encourage North Americans to lower their caloric intake from beverages.

The cornerstone of our communications on healthy hydration continues to be guided by the Beverage Pyramid, which provides nutritional science from leading health experts to guide and educate consumers of all ages on the recommended amount of calories consumed from beverages. Through our brands and corporate communications, we support healthy hydration education in partnership with the U.S. Department of Agriculture and National Education Association.


Swap one 12 oz. sugary beverage a day for water and eliminate about 50,000 calories a year.

The Beverage Pyramid*




-  **GOAL** – Help provide safe drinking water in times of need.


Producing and delivering ample quantities of water during major water outages requires a robust industry operating across North America that can provide the instant large quantities of water often needed. NWN's products offer easy and convenient ways to safely store a gallon of water per person per day as recommended by emergency preparedness and relief organizations like the Red Cross and the Federal Emergency Management Agency (FEMA).

-  **TARGET**– Partner with AmeriCares, the American Red Cross, Canadian Red Cross and others to effectively distribute backup bottled water.

Since 2010, we have donated millions of bottles of water to disaster relief agencies to support people impacted by emergencies, including major natural disasters.

-  **GOAL** – Meet or exceed regulatory requirements for quality and transparent reporting.

Our bottled water is intended for drinking and on-the-go convenience, while municipal tap water provides safe water for numerous purposes – from industrial and domestic use to drinking. Although the end use of bottled water and tap water is often different, bottled water quality is regulated to at least the same safety standards as tap. Learn more at www.bottledwater.org/education/regulations.

-  **TARGET**– Continue to advocate for federal standards on public disclosure of bottled water product quality information.

We believe that where our water comes from and its finished product quality should be publicly available. That's why information for all our bottled water products is available on our website, www.nestle-watersna.com. That's also why we support U.S. Senator Frank Lautenberg's call for a federal standard for bottled water quality reporting and continue to work with partners to help advance this legislation.



Superstorm Sandy Support
In October 2012, Superstorm Sandy devastated shoreline communities in Connecticut, New Jersey and New York. Quickly responding, approximately 1,500 employees worked tirelessly to meet the acute needs of storm victims and more than 100 trucks converged on the region from NWN's plants in Pennsylvania, Michigan, Texas and Maine, delivering more than 5 million bottles of water.

¹ Beverage Marketing Corporation.
² "The Future Costs of Obesity: National and State Estimates of the Impact of Obesity on Direct Health Care Expenses." November 2009. United Health Foundation, the American Public Health Association and Partnership for Prevention, based on research by Kenneth E. Thorpe, Ph.D., Emory University.
³ Gotay, Carolyn C., Peter T. Katzmarzyk, Ian Janssen, Marliese Y. Dawson, Khaterreh Aminoltejari and Nicci L. Bartley. "Updating the Canadian Obesity Maps: An Epidemic in Progress." *Canadian Journal of Public Health*. Vol. 104, No. 1 (2013).
⁴ Bleich, Sara N., Y. Claire Wang, Youfa Wang and Steven L. Gortmaker. "Increasing consumption of sugar-sweetened beverages among US adults: 1988-1994 to 1999-2004." *The American Journal of Clinical Nutrition*. Vol. 89, No. 1 (2009): 372-381.



Water Responsibility

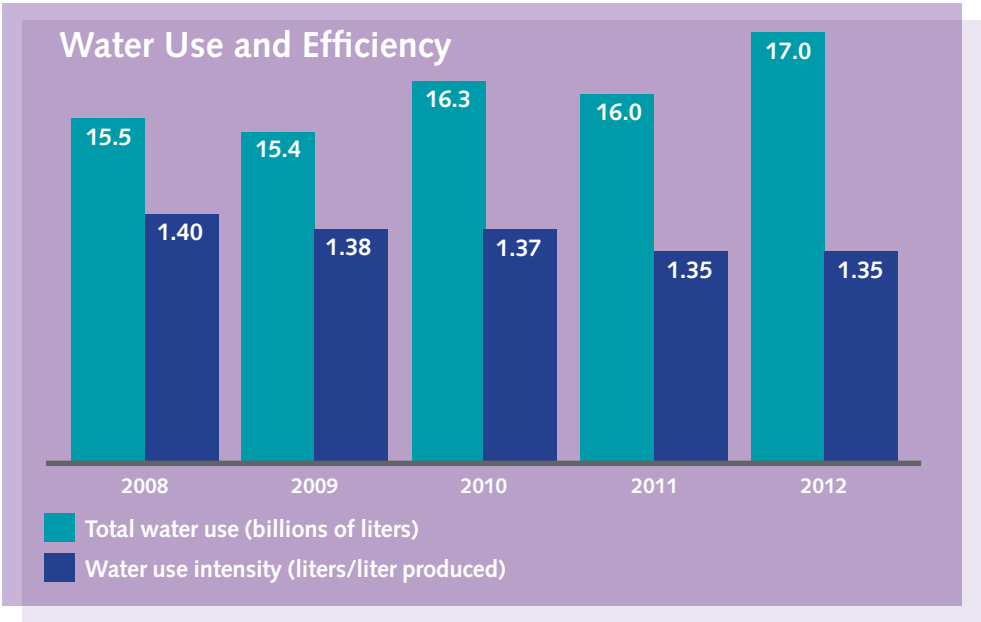
As a company that relies on the continued availability of high-quality water, we are committed to being leaders in sustainable water stewardship practices and lead the industry in water efficiency.

GOAL – Communicate, advocate and lead in the area of sustainable water stewardship practices.

The key components of our water management approach include understanding our water footprint, managing and monitoring our springs, and increasing water use efficiency.

Our Global Environmental Footprint (GEF) assessment tool measures the total volume of fresh water used to produce our products and benchmarks products and processes to help set water reduction priorities.

We carefully select and monitor our springs so they remain sustainable sources of high-quality water – now and for future generations. We manage 40 spring sites and spend millions of dollars each year maintaining them, safeguarding the local ecosystems of more than 14,000 acres of open-space watershed land. Our Natural Resource Managers follow a rigorous four-element monitoring process that includes: water recharge, water levels, water flows and water use. Each spring requires a tailored approach because of differing geologic and climatic conditions. We make publicly available our processes for managing and monitoring spring sites.



TARGET – Compile, review and share water availability research at potential new spring sources with stakeholders.

Before we develop a new spring source for our business, we fully understand the water availability of that spring. We only select springs that meet our high quality standards and can supply our bottling needs without exceeding natural renewal levels over the long term. Science-based information generated through research and constructive collaboration is critical to sustainable natural resource management, and we believe this approach is the best model for water resource management.

TARGET – By 2015, better understand potential climate change scenarios in source regions, based on reputable research, and share findings with stakeholders.

We recognize today’s changing climate could impact our spring sources and surrounding lands. As a result, we commissioned a third-party review of climate research in 2011 to learn more about the regional effects of climate change on water resources to better manage our related risks. We will share this research with interested local communities and stakeholders.

TARGET – Partner with communities and stakeholders to support two watershed improvement projects per year through 2015.

For many years, we have partnered with leading not-for-profit organizations and local community stakeholders to conduct watershed improvement projects that create shared value in communities across the country.

TARGET – Reach more than 100,000 youth, educators and community members about the importance of water through our support of leading water education entities by 2014.

Addressing water challenges, including daily consumption habits, requires an increased awareness of the importance of water. We are actively involved with water education efforts, locally and nationally, to help ensure that future generations are poised to carefully manage – and value the importance of – our planet’s most precious resource.

We are extremely efficient with our water use and one of the most efficient producers in the industry. While our production volume continues to rise, our optimization efforts have led to a 3.2 percent reduction of water per unit produced from 2008-2012.





Leadership in water stewardship practices means going beyond our own sources and facilities to promote sustainable practices in the local communities where we work and live through partnership, education and advocacy.

PARTNERSHIP CASE



Since 2003, Nestlé Waters Canada has partnered with Friends of Mill Creek to support restoration projects in the Mill Creek watershed in Ontario. We annually support their Stewardship Ranger program, which hires four local high school students and a crew leader to undertake fisheries and stream rehabilitation works each summer, exposing students to real work experience, including stream bed regrading, tree planting and culvert replacement.

WATERSHED IMPROVEMENT PROJECTS

In 2011, we worked in California with The Nature Conservancy to restore a damaged in-stream salmon habitat. We partnered with Ducks Unlimited to improve the wetland areas around the spring sources for our Ozarka® Natural Spring Water brand in Hawkins, Texas. In 2012, we undertook the restoration of a fish hatchery to more natural conditions at Ruby Mountain Springs in Chaffee County, Colorado. And, we partnered with the Mill River Collaborative to develop a flood plain meadow along the river corridor to protect water quality in Stamford, Connecticut, our headquarters community.



PARTNERSHIP CASE



Our Educational Partnerships Inspire and Inform

We continue to be the largest corporate sponsor of Project WET (Water Education for Teachers) in the U.S., Canada and around the world. Through our decade-long partnership, we have helped educate more than 25 million students and 200,000 teachers on water resource management, hydration and health, and environmental stewardship in the U.S.



Building Community Vitality with Our Employees



Our commitment to building community vitality starts with a positive work environment for our employees, which includes being a good employer that operates in an open and transparent manner. We create shared value in our communities through engagement with our employees and our communities to help address local needs and concerns.

-  **GOAL** – Be a preferred local employer and contribute to local economic vitality.
-  **TARGET** – Create an enriching work environment that fosters employee engagement, safety, health and wellness, diversity, career development, community involvement and volunteerism, as well as providing competitive compensation and benefits.


Providing a safe and healthy work environment for our employees means infusing our culture with the importance of making healthy and safe choices. Since 2006, we have made continuous improvements in our safety performance and continue to strive to be among the top performers in the food and beverage industry. Health and wellness is a major priority in our workplace today. HealthWorks is an initiative to encourage employees to make healthy choices at work and at home. Today, employees are walking at lunch, joining on-site exercise classes and taking advantage of discounts for preventative screenings, among many other healthy behaviors.

Our employees are the key to our success and their engagement is essential. We are rolling out Nestlé Continuous Excellence (NCE), a global improvement initiative that enhances employee engagement by involving employees in problem solving at all levels of the business. We survey employees to gather feedback, assess engagement and identify areas for improvement, helping employees at all levels feel empowered to contribute to make a difference.




-  **GOAL** – Operate transparently and engage with our local communities.
-  **TARGET** – Respond to local community concerns and increase understanding of our operations by engaging with members of local communities.

Our work takes place in communities and it depends on them. Through our plants, offices, distribution branches and spring source sites, we are connected to more than 130 communities across North America. Two-way communication is at the heart of productive community relationships: By listening, we discover new opportunities to partner and create shared value.

-  **TARGET** – Hold an open house at facilities in each of our brand regions by 2015.

To ensure local needs are being met, we encourage employees to get involved in the community. Their involvement increases our understanding of community needs and concerns, and helps answer questions about our operations. And, we invite community members to tour our facilities and participate in our events so they understand our business.

-  **TARGET** – Increase the number of volunteer hours 20 percent by 2014.

NWNA has a rich tradition of supporting employee involvement in the community. In June 2011, we formalized that tradition when we launched Water Works, our volunteer program powered by a team of volunteer coordinators, who plan events and organize employees. Volunteers can participate in company-sponsored events or can help build mutually beneficial relationships with local organizations.



Driver safety is critical
Driver selection, training and supervision are carefully monitored, and we now use technology to enhance our driver safety efforts. Some of this technology also will improve environmental performance.





“Nestlé Waters brings a clean, safe industry to East Texas and opportunity for hundreds of our neighbors and friends in this area. They have donated bottled water for local events, financially supported local charities, businesses and schools, and they are responsive in times of need.”

– Texas State Representative
Bryan Hughes, District 5
Mineola, Texas


Packaging Responsibility and Operational Sustainability


At Nestlé Waters North America, our focus on sustainability is ongoing. We continuously strive to optimize our environmental footprint through time-tested methods and by researching and piloting innovative approaches to energy and waste reduction.

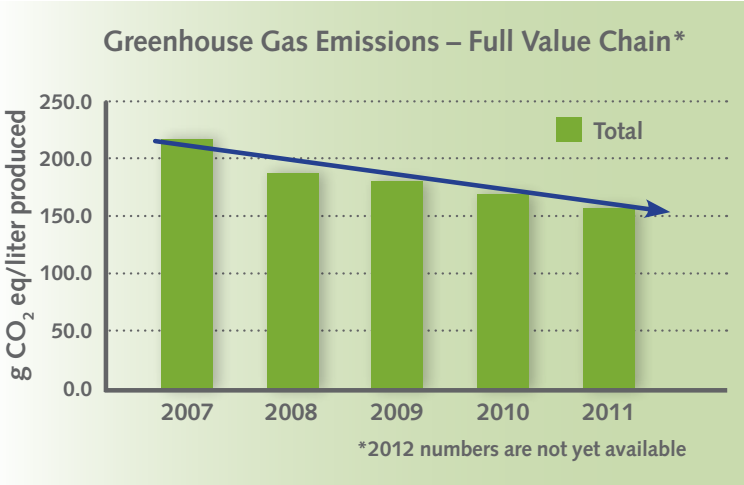
-  **GOAL** – Continuously reduce our carbon intensity, aiming for 100 percent renewable energy.
-  **TARGET**– Reduce carbon intensity by 20 percent across the NWNA value chain by 2013.

We work hard to reduce the energy we use. Since 2007, we have reduced our emissions per liter produced by 19.2 percent across our value chain based on our life cycle analysis. We are upgrading our existing facilities and designing new facilities to reduce our GHG emissions, save on electricity costs and reduce air pollution.


We have an environmental and financial incentive to make our fleet as efficient as possible. The fewer miles we drive, the less fuel we use, which cuts our carbon emissions and operational costs. By implementing a regional distribution approach, we now transport our water an average of just 350 miles and we’re working to further reduce our shipping miles and emissions.

-  **TARGET**– Implement aspects of our renewable energy plan.
- We are working on a renewable energy road map that will help us identify opportunities to use renewable energy – such as wind, solar and biomass – at each of our facilities across the country.

-  **GOAL** – Support the market for recycled materials by continuing to increase the use of recycled content in our packaging, as feasible.



In the fourth quarter of 2012, we completed the installation of two wind turbines at our Cabazon, California plant. The turbines will generate up to 30 percent of the plant's total energy – enough to power 1,100 U.S. homes.


-  **TARGET**– By 2020, develop the next generation of our recyclable bottles made from post-consumer recycled or renewable materials with a lighter footprint.

We constantly evaluate our products and packaging designs to improve their environmental performance and use closed-loop processes. We are incorporating more recycled PET plastic – or rPET – into our bottles, and we continue to lightweight our bottles and reduce their packaging. During the past 18 years, we’ve reduced the PET plastic content of our half-liter water bottles by 60 percent, saving more than 3 billion pounds of plastic.

We continue to streamline our packaging corrugate, labels, cardboard and shrink wrap, while maintaining structural safety and quality. These efforts are producing tremendous reductions and savings. For example, since 2010, we have reduced our use of corrugated material by nearly 25,000 tons or 25 percent.

Reuse also plays a critical role in our sustainable packaging efforts. Our 5-gallon bottle is the leading returnable bottle in the industry, and approximately 90 percent are now made with PET. We clean and refill our 3- and 5-gallon bottles 20 to 25 times, after which they are recycled.

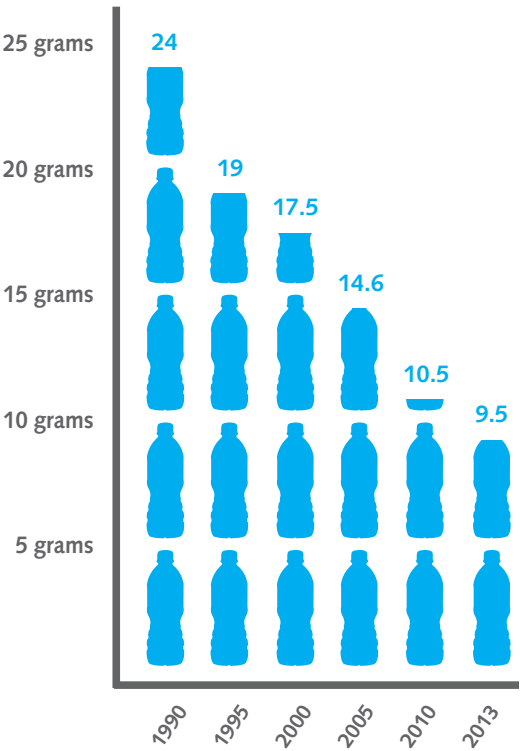
We’re making good progress toward reaching our target of developing the next generation of lighter, 100 percent post-consumer or renewable bottles. However, there simply isn’t enough rPET out there – or available at an affordable price – to use it solely as material for our bottles. Instead, we have focused recent efforts on key product launches of new rPET water brands, incorporating 50 percent rPET into the bottles.

-  **TARGET**– By 2015, recycle 97 percent of the solid waste generated in our administrative offices, Direct delivery branches and plant facilities.

Part of our companywide approach to the Nestlé Continuous Excellence (NCE) program is to achieve a zero-waste future. Increasing recycling in our operations and throughout our supply chain is one of the best ways to accomplish this. We have met our goal in our plant facilities and now are focusing on improvement in our offices and branches through initiatives such as e-waste recycling and the EPA’s Safety-Kleen Program.

Our goal is to advance policies expanding all packaging recycling to capture every beverage container produced.

0.5 Liter Weight Reduction



TARGET– Collaborate and lead our industry in a shared commitment to increase U.S. recycling rates to 60 percent for PET beverage bottles by 2018. In Canada, recycle 85 percent of the bottles we produce.

What started as a way to increase recycling rates for our bottles has made us realize that we have an opportunity to collaborate on solutions that address the broader waste stream through better collection systems for all packaging – laundry detergent bottles, pet food cans, peanut butter jars, magazines, plastic beverage containers and more. We need a low-cost, efficient recycling system that Extended Producer Responsibility (EPR) for packaging and printed paper can deliver. Any container that is recyclable, collectible and has value can be covered under an omnibus EPR system for packaging. This model would bring the financial responsibility for all product packaging recycling to industry, complementing expanded curbside recycling at home.

“... What we’re realizing is that EPR shouldn’t just be applied to one particular type of product. It needs to be applied to the entire waste stream.”

– Matt Prindiville, Associate Director, Product Policy Institute and Founder, CRADLE² Coalition⁵

TARGET– Work with partners to have EPR legislation introduced and considered for passage in at least two states by 2014.

In the past 10 years, more than 70 EPR laws have been passed in 32 states and are already in place in many countries, where they have successfully increased recovery rates for packaging. Under an EPR system, brand owners of packaging and printed paper pay for the cost of recycling their products, instead of local taxpayers. Brand owners – usually through an industry-run stewardship organization – contract with haulers or cities to collect and process packaging and paper. EPR increases recycling rates, reduces government spending and uses private sector efficiencies to reduce the costs of recycling.

We are engaging with a broad range of stakeholder groups, including consumer product companies, beverage companies, various trade associations, commodity groups, packaging manufacturers, private haulers, municipalities, state legislatures, environmental NGOs, grocery retailers, the forest product industry and others to support the introduction of EPR legislation.

We are deeply involved with one stakeholder group, **Recycling Reinvented**, a U.S.-based nonprofit organization committed to advancing recycling rates through an EPR model that requires brand owners to develop and fund effective recycling programs.

TARGET– Throughout Canada, complete one EPR pilot project each year through 2014 to encourage establishment of EPR as a policy in each province.



In 2010, we supported the launch of an EPR program in Manitoba. Known as the “hybrid recycling model,” it features four key elements: curbside recycling, public spaces recycling, commercial/institutional recycling and continuous public education.

The early results of this program are encouraging. After just one year, the province's program in Portage la Prairie experienced a 95 percent diversion rate – the rate of beverage containers getting out of the waste stream and into the recycling stream – in parks, arenas and streetscapes. NWNA is hoping to extend the program in Canada and to use learnings from this program to inform EPR efforts in the U.S.

TARGET– Define the economic benefits of EPR through research studies by 2013.

We plan to support Recycling Reinvented and our other partners in 2013 through studies to define and demonstrate the tangible economic benefits of EPR. This research will examine how EPR, led by industry, will impact household expenditures for recycling, affect municipal tax burdens and change the amount of material captured in curbside and public space recycling programs in several representative states.

Current System for Packaging

Under the current system, the consumer pays twice – once for the product and once for disposal/recycling.



\$11.4 BILLION wasted due to disposal of recyclable materials.

EPR System for Packaging

Under EPR, the cost of recycling and disposal services are built into product cost, with ultimate responsibility shifted to the producer.



CASE STUDY

Direct Producer Responsibility

In 2011, our Poland Spring® Direct home and office delivery business piloted a recycling program on Long Island, New York. We dropped off products for customers and picked up our single-serve, post-consumer containers for recycling, filling the otherwise empty trucks. The program demonstrates our commitment to capturing and reusing our beverage containers. Moving forward, we hope to expand the program.



⁵ Westervelt, Amy. “How Corporate America Might Just Save Recycling.” *Forbes*, 27 April 2012. Web.

