

Nestlé UK & Ireland
Creating Shared Value Plan 2012

Building a Sustainable Future



Welcome to the Nestlé UK & Ireland Creating Shared Value (CSV) Plan 2012. For Nestlé UK & Ireland, CSV means going beyond compliance and sustainability to create new and greater value for our people, our shareholders and society as a whole.

INTRODUCTION

1

Operating as a sustainable company helps us meet our promise of 'Good Food, Good Life'.

- Introduction from Paul Grimwood and Fiona Kendrick
- Targets and performance summary
- Our approach
- Governance

ENVIRONMENTAL IMPACT

5

We are committed to operating as responsibly and efficiently as possible to help preserve the environment for future generations.

- Water
- Climate change
- Natural capital
- Packaging
- Waste

NUTRITION, HEALTH AND WELLNESS

12

We aim to provide safe and high-quality food and beverage products while ensuring our consumers understand how to enjoy our products as part of a healthy and balanced diet.

- Consumers and our products
- Education
- Employee wellness

SOCIAL IMPACT

15

We are determined to help drive social and environmental improvements in our operations and along our supply chain at both a local and a global level.

- Responsible sourcing
- Communities
- People
- Investment and growth

STAKEHOLDER ENGAGEMENT

23

Engaging effectively with stakeholders enables us to identify emerging issues and align our business activities with the needs and expectations of others.

ABOUT THIS REPORT

24

Find out more about Nestlé in the UK & Ireland and how this report was produced.



indicates global performance for Nestlé as a whole



indicates performance by Nestlé in the UK & Ireland

Where 'Nestlé UK & Ireland' is stated it refers to Food and Beverage and Confectionery Divisions. Where 'Nestlé in the Market' is stated it includes Nestlé sister companies in the UK, which are listed on page 24.

Introduction from Paul Grimwood and Fiona Kendrick



At Nestlé our aim is to delight our consumers by providing safe, high-quality and responsibly produced food and beverages. Our ability to do so in the long term depends on the continued availability and sustainable use of the world's natural resources and ensuring that the people and communities along our supply chain prosper.

Our 2012 Creating Shared Value (CSV) Plan outlines how we are bringing to life our CSV strategy locally and details a range of new and up-weighted targets we have set for our business – from reducing our water use to sourcing certified sustainable cocoa and working with milk farmers to help reduce their environmental impact.

While there is still much to do, and there are areas where we need to go further, we are proud of the significant progress our business has made. In 2012, we achieved an industry first when we announced that our entire Easter egg range uses 100% recyclable packaging. Seven of our factories in the UK have been verified by Bureau Veritas as sending zero waste to landfill – a major milestone towards our target of zero waste to landfill at all 14 of our UK factories by 2015.

We have taken steps to address parts of our supply chain where we feel that more needs to be done – for instance, working in partnership with The Forest Trust to ensure that our key commodity ingredients, such as palm oil, are responsibly sourced. We are incredibly proud of achieving our 2015 target to source 100% certified palm oil for our UK manufactured products.



In 2012, we launched a global commitment on natural capital and as part of this we have adopted a strategy to identify our reliance and potential impact on the nature around our production sites in the UK. This will help us develop appropriate biodiversity programmes in the near future.

Our strategic focus on Nutrition, Health and Wellness means that we aim to provide the best tasting and most nutritious choices in all our categories. In 2012, we became the first major confectioner in the UK to remove all artificial colours, flavours and preservatives from our confectionery range. We have also pledged our support for the Department of Health's Public Health Responsibility Deal and were one of the first signatories of the Food pledges.

To continue to improve our business we believe it's critical to gain an outside perspective. This is why in 2012 we have stepped up our stakeholder engagement programme to ensure we continue the conversation and keep striving to challenge ourselves further.

Working to create social, environmental and economic value, not only for our shareholders but for society, is central to how we do business – we call this Creating Shared Value. We hope this plan provides an insight into how we are meeting our responsibilities and our commitment to sustainable manufacturing.

Paul Grimwood,
Chairman and CEO
(2009–2012)



























Fiona Kendrick,
Chairman and CEO
(2012–current)

Targets and performance summary




 New/up-weighted target |  NIM Nestlé in the Market |  On track |  Achieved |  Not achieved

Throughout this report, targets and performance are year-end and relate to Nestlé UK & Ireland, unless otherwise stated. Performance highlights can also be found in the relevant sections throughout the report.

ENVIRONMENTAL IMPACT

		TARGET	ACHIEVE BY	STATUS
WATER				
	NIM	Reduce total water consumption by 40% ^{1, 2}	2015	
	NIM	Reduce total water consumption by 50% ^{1, 2}	2020	
	NIM	Reduce total water consumption by 30% ^{1, 2}	2020	
CLIMATE CHANGE: ENERGY AND EMISSIONS				
	NIM	Develop comprehensive climate change adaptation plans for all sites	2014	
		Pilot micro-renewables at Fawdon factory	2014	
	NIM	Reduce GHG emissions by 30% ²	2015	
	NIM	Achieve 10% renewable energy use ²	2015	
		Transition towards a low carbon and renewable energy site at Fawdon factory	2015	
CLIMATE CHANGE: TRANSPORT AND DISTRIBUTION				
		Reduce inbound supplier vehicles by 10% ^{3, 4}	2015	
		Switch 15% of road transportation to rail ⁴	2015	
		Support the Freight Transport Association's target, which is to reduce CO ₂ by 8% ⁴	2015	
NATURAL CAPITAL				
	NIM	Develop biodiversity programmes at each of our UK sites	2015	
PACKAGING				
		Remove all plastic inserts from Easter eggs	2012	
		Help identify and promote appropriate methods for the collection, sorting and recycling of mixed plastics	2014	
		Achieve 95% recyclability of packaging	2015	
WASTE				
		Send zero waste from Nestlé UK factories to landfill (excluding a minimum amount of hazardous waste)	2015	
	NIM	Send zero waste from NIM factories to landfill (excluding a minimum amount of hazardous waste)	2015	

NUTRITION, HEALTH AND WELLNESS

		TARGET	ACHIEVE BY	STATUS
		Remove all artificial colours, flavours and preservatives from confectionery	2011	
		Remove hydrogenated vegetable oil from all products	2011	
		Remove artificial trans fats from all products	2011	

NUTRITION, HEALTH AND WELLNESS

	TARGET	ACHIEVE BY	STATUS
N	Meet the 2012 Public Health Responsibility Deal salt targets	2012	➡
N	Increase the number of confectionery products containing less than 110 calories per serving	2012	➡
N	One third of the sales volume of new confectionery products to be smaller-size alternatives to standard products (based on 2012 total Nestlé confectionery volume forecasts)	2012	➡
N	Provide nutrition training, in conjunction with the British Nutrition Foundation, for 500 catering students	2012	✓
	Provide Guideline Daily Amount labelling for relevant food and non-alcoholic drink for employees at our company restaurants	2013	➡
N	Provide nutrition training to catering staff, in conjunction with our contract caterers, at our company restaurants	2013	➡
N	For confectionery products that can be shared or are portionable, include on-pack messaging on all such products	2014	➡

SOCIAL IMPACT

	TARGET	ACHIEVE BY	STATUS
RESPONSIBLE SOURCING			
N	Roll out training workshops for farmers enrolled in Girvan First Milk Sustainability Partnership	2012	➡
N	Complete environmental audits at each farm enrolled in Girvan First Milk Sustainability Partnership	2012	➡
N	Provide training and technical assistance to 2,450 Colombian coffee farmers	2012	➡
N	Provide 9 million high-yield and disease-resistant coffee trees to farmers in the Valle del Cauca region of Colombia	2012	➡
	NIM Source palm oil from 100% certified sustainable sources	2015	✓
N	Source 100% certified sustainable cocoa for confectionery	2015	➡
COMMUNITIES			
	Raise £250,000 for our 2010–2011 Charity of the Year, Alzheimer's Society ⁴	2011	✓
	Nestlé Ireland to raise €120,000 for The Jack and Jill Children's Foundation ⁴	2012	➡
N	Establish a community sustainability learning centre at Fawdon factory	2014	➡
N	Raise £750,000 for our Charity of Choice, Action for Children ⁵	2015	➡
PEOPLE: TRAINING AND DEVELOPMENT			
N	Double our number of graduates and apprentices ⁶	2012	➡
N	Roll out gender balance awareness training to all line managers ⁴	2013	➡
PEOPLE: SAFETY AND HEALTH			
N	Ensure our employees are risk aware by implementing our safety walk programme	2012	➡
N	Implement our safety plan towards zero harm and incidents, at each of our sites	2012	➡
INVESTMENT AND GROWTH			
	NIM Invest £500m to establish our next generation of world-class manufacturing facilities in the UK ⁶	2015	➡

1 Consumption refers to total water withdrawal in cubic metres.

2 The baseline year for this data is 2006.

3 Inbound supplier vehicles are those travelling in to our factory sites.

4 The baseline year for this data is 2010.

5 The baseline year for this data is 2012.

6 The baseline year for this data is 2011.

Our approach

We believe that, to succeed as a business in the long term and create value for our shareholders, we must also create value for society. We call this Creating Shared Value (CSV).

Globally, we focus our CSV efforts on **Nutrition, Water** and **Rural development**, as these are core to our business strategy and operations.

As the pyramid shows, **Environmental sustainability** and **Compliance** are the foundations of CSV and form the basis of how we operate as a responsible business. We also recognise the vital role of our people and the importance of engaging and collaborating with other organisations.

In the UK and Ireland, we work with external stakeholders to determine which issues are most critical to our business and where our efforts can make a difference.

For reporting purposes, in the UK and Ireland we group our activities under four headings – Environmental impact, Nutrition, health and wellness, Social impact and Stakeholder engagement. These four sections cover compliance, environmental sustainability and the three core CSV areas of Nutrition, Water and Rural development. Specifically, these can be found on the following pages:

- **Nutrition** – Nutrition, health and wellness (page 12) and Communities (page 19)
- **Water** – Environmental impact (page 6)
- **Rural development** – Responsible sourcing (page 16).

We acknowledge that there are many complex and interrelated issues facing our business. In reporting our journey to date we hope to demonstrate our commitment to learning, communicating and improving on a continuous basis.



Governance

Our activities are governed by our UK & Ireland CSV Steering Group, chaired by our Chairman and CEO. Attendees include the Directors from relevant business functions, such as Supply Chain, Corporate Affairs, and Technical and Production. The Steering Group meets on a quarterly basis to track performance against our targets and to discuss key issues and strategies. Where these require input from a global perspective, the Steering Group is responsible for seeking alignment with the relevant teams in our global headquarters in Switzerland.

There are a number of working groups feeding in to the Steering Group, such as Responsible Sourcing, Safety, Health and Environment and Communications. These teams meet on a regular

basis to coordinate and discuss key issues, and decide on any items that need to be elevated to the Steering Group.

Environmental impact

Overview

Human life, sustainable development and economic activity rely on the continuing availability of natural resources such as water and agricultural crops. As a food and beverage company, we are committed to developing our business in a way that reduces our adverse environmental impact and preserves natural resources for future generations.

We continue to implement projects that help us reduce greenhouse gas emissions and our use of water and energy, while ensuring effective waste management. In addition to this, we are encouraging biodiversity across our sites through the creation of butterfly meadows and where possible restoring land back to its natural state.

Water

A growing, more prosperous population, combined with the impact of climate change, is making water availability a serious problem in many parts of the world. In the UK, our aim is to improve water efficiency across our operations and reduce our absolute water usage by 50% by 2020.



Water reduction and adaptation planning

In 2011, we carried out water mapping studies at each of our manufacturing sites in the UK to identify ways of minimising our water use. At our Hayes factory alone, we put in place a number of projects that helped to achieve a water saving of 9% based on the previous year, including increasing our reuse of water.

We are extending our work to develop water adaptation plans in 2012. These plans outline how we will act in order to adapt to the risks of water shortages and the implications for our operations and our supply of raw materials.

Promoting sustainable development

We opened our state-of-the-art production facility at Waterswallows in Buxton in 2012. The £35 million water bottling plant has been designed with cutting-edge features to help reduce water use. The plant's drainage system uses sophisticated technology to mimic nature, echoing as closely as possible the natural drainage of the site to minimise the impact of urban development. It promotes environmental benefits such as the natural recharging of groundwater, in addition to enabling the waste water from production and cleaning processes to be recovered and recycled.

OUR PERFORMANCE HIGHLIGHTS

Reduced water
withdrawals in our
factories by

28%

since 2001, while our
food and beverage
production
increased by 73%
in the same period.



Reduced absolute
water usage by

36%

since 2006, ahead of our
own 2020 target and
the Federation House
Commitment (FHC)
target of a 20%
reduction by 2020.



Our targets and performance are on pages 2 and 3



The new bottling plant's wave shaped roof enhances its visual appeal and a drainage system manages the rain water that runs off.

Raising awareness of water scarcity

As part of our commitment to drive water efficiency across the industry, we chair the Food and Drink Federation's Water Working Group, and have helped to develop a guide on managing water use along the supply chain. The *Every Last Drop* guide provides a series of golden rules to help food and drink manufacturers save water.

On World Water Day 2012, we used the guide to help raise awareness of water scarcity among our employees and held information sessions on how to save water at home and work. At our Buxton factory, we celebrated the day with local schoolchildren who took part in water-related projects designed by Project WET (Water Education for Teachers).

Climate change

We are committed to reducing greenhouse gas (GHG) emissions from our operations by improving energy efficiency, switching to cleaner fuels and investing in renewable sources. In the UK, we have set a target to reduce GHG emissions by 30% by 2015, in addition to developing climate change adaptation measures for all sites¹ by 2014.

Energy and emissions

In 2011, we made a number of changes to help reduce our GHG emissions. In our Girvan factory we replaced five boilers that ran on heavy fuel oil with two new gas-fired boilers, helping to reduce 6,000 tonnes of GHG emissions, in addition to sulphur dioxide and nitrogen dioxide, over the year.

In February 2012, our Girvan factory became the first site to test our Energy Target Setting (ETS) methodology, developed to increase resource efficiency by determining the optimum energy and water consumption rates at individual factories. The trial was successful, and we are now rolling out a £700,000 investment plan for the site, that is expected to deliver an 84% reduction in water use and a 43% reduction in energy consumption by 2014. We will carry out nine further ETS studies in the UK during 2012.

OUR PERFORMANCE HIGHLIGHTS

Halved

the GHG emissions from our factories per tonne of product since 2001.



Reduced GHG emissions by

16%

since 2006.



Our targets and performance are on pages 2 and 3

Sharing best practice along the supply chain

One of the challenges we face is how to ensure those in our supply chain have a better understanding of environmental issues and how we can share best practice to enable a joined-up approach along the supply

chain – from farmer to consumer. We have started to address this challenge by working with the milk farmers who supply our Girvan factory in Scotland (see page 17). Moving forward we hope to work more closely with retailers and consumers to develop programmes in support of this agenda.

Building energy-saving into our future

Our new production plant in Buxton is one of the most efficient bottling facilities of its kind in the world. We aim to achieve 'Excellent' grading for the plant's BREEAM Certification² later in 2012, which takes into account the site's energy and water use as well as transport infrastructure and ecology.

Inside the factory, heat generated by the bottling lines is used to heat the warehouse and office areas – helping to reduce energy consumption and GHG emissions – while low energy lighting further increases energy efficiency. For every 1,000 bottles of water produced, the plant uses around 32 kilowatt hours (kWh) of electricity. This equates to an energy saving of 20% compared to the old site.



The new bottling plant produces the lightest water bottles in the UK, with an average 25% reduction in weight compared to the previous bottles.

¹ Including Nestlé in the Market sites.

² Environmental assessment method and rating system for buildings.

Fawdon 'lighthouse' factory – a blueprint for sustainability



At Fawdon, our 'lighthouse' factory for sustainability initiatives, we are piloting new ways to further reduce emissions and improve energy efficiency. The ambitious project is based on a holistic sustainability plan, which aims to reduce the site's GHG emissions and water consumption by 20% and 50% respectively by 2013, and achieve 10% renewable energy use by 2015.

A range of initiatives are being trialled at Fawdon to support the goal of becoming a low carbon site. We have piloted an on-site anaerobic digestion system, which turns liquid and solid waste into energy, and we plan to have a full-size digester installed at Fawdon by the end of 2012. This will enable us to make better use of waste, reduce what we discharge to the sewer and cut our energy use by around 15%. We have also replaced our diesel van with a low-emission electric van, which we will test to measure the energy saved. In 2013, we will pilot micro-renewable technology on site, which uses resources such as solar radiation to create renewable energy. If these technologies are successful, we plan to implement similar systems at our other sites in the UK.

Transport and distribution

We are committed to minimising the environmental impact of our transport and distribution network by using lower-emission vehicles and where possible selecting alternative modes of transport. In 2012, we signed up to the Freight Transport Association's Logistics Carbon Reduction Scheme to reduce CO₂ emissions by 8% by 2015.

Using alternative fuel

Our ambition is to reduce our CO₂ emissions and ultimately become less reliant on fossil fuels. In 2010, we began trialling liquefied methane-powered trucks, which can significantly reduce CO₂ and other air emissions. During the trial, the three trucks travelled 225,000 kilometres and carried 25,800 tonnes. The results showed that they saved 40,275 litres of diesel and achieved a CO₂ equivalent reduction of 25.4 tonnes – proving to be a reliable and feasible alternative to diesel-only vehicles.

As a result of this initiative, we won the 2011 Efficient Consumer Response (ECR) Award for Sustainable Distribution at the Institute of Grocery Distribution's Food Industry Awards.



Liquefied methane-powered trucks prove to be a feasible alternative to diesel-only vehicles.

OUR PERFORMANCE HIGHLIGHTS

Winner

of the 2011 IGD Efficient Consumer Response Award for Sustainable Distribution.



Our targets and performance are on pages 2 and 3

Natural capital

Operating factories across the UK and using agricultural raw materials means we have a responsibility to develop our business in a way that promotes natural capital¹ and in particular biodiversity². In 2011, we committed to develop biodiversity programmes at each of our UK sites by 2015.



Fawdon butterfly meadow

In 2011, Fawdon factory employees joined members of the local community, Natural England, the Northumberland Wildlife Trust and Northumberland Butterfly Conservation to plant a wildflower meadow. The species planted create the perfect habitat for recolonisation by local butterfly species and our aim is for the meadow to attract a further 10 varieties. Butterfly numbers not only indicate the environmental health of an area, but also increase biodiversity by attracting a range of other species.

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Northumberland Wildlife Trust is delighted to partner with an organisation which puts sustainability at the heart of its business. We've worked with Nestlé to improve biodiversity at their Fawdon factory by creating a small meadow to attract butterflies and insects. The site helps to re-connect green spaces to allow wildlife to move more freely and adapt to change.

//

Duncan Hutt
Head of Land Management, Northumberland Wildlife Trust



Employees and their families helped to plant a butterfly meadow at Fawdon factory.

¹ Natural capital is the sum total of nature's resources and environmental services, which are essential for human life and economic activity.

² Biodiversity is defined by the UN Convention of Biological Diversity as "the variability among living organisms, which includes the diversity at ecosystem, species and genetic levels".

OUR PERFORMANCE HIGHLIGHTS

Launched a global commitment on natural capital in 2012. This sets out how we will act as a responsible steward of natural capital, report on risks and responses, and work with stakeholders to develop collaborative approaches to stewardship.



Planted butterfly meadows at our Fawdon, Buxton and Girvan sites in the UK to increase biodiversity.



Our targets and performance are on pages 2 and 3

Identifying our reliance and impact on nature

As part of our commitment on natural capital, we adopted a strategy that aims to identify our reliance and potential impact on the nature around our factory sites. Understanding this will help us to develop appropriate biodiversity programmes. Our first step has been to identify protected areas, such as nature reserves, that are within the vicinity of our sites. We have found that while all our factories have one or more protected areas within a 10-kilometre radius, seven factories are of primary interest as they are located in rural areas.

Collaborative work on policy

Globally, we are working to develop a better understanding of how to value the consequences of our activities throughout the value chain. We are an active member of the Cambridge Natural Capital Leaders Platform, which was set up in 2010 as part of the Cambridge Natural Capital programme. It addresses the impacts of ecosystems and natural capital loss and degradation on business, their customers and wider society.

Packaging

We are committed to optimising the volume and weight of our packaging, while using recycled materials where possible. In addition, we are leading the development of packaging made from renewable resources and supporting initiatives to recycle or recover energy from packaging.



OUR PERFORMANCE HIGHLIGHTS

Reduced

39,000

tonnes of packaging
material by weight.



Reduced primary
packaging by more than

16%

since 2006 and achieved

90%

recyclability of
packaging.



Our targets and performance are on pages 2 and 3

Fewer lorries and less packaging for NESCAFÉ® refill packs

In 2011, we launched a range of NESCAFÉ compact coffee refill packs that have a significantly lower impact on the environment. The 150-gram refills use around 30% less material than the previous refill packs and are more space efficient, meaning that more than twice as many fit on to a pallet, thereby reducing lorry journeys by over 50%. In addition, the new manufacturing process uses 28% less water than before.

Addressing the challenge of mixed plastics

In the UK, 90% of the packaging used for our products is recyclable, and the remaining percentage is made of mixed plastics. Although the technology exists to recycle these materials, it is not widely available in the UK. To help address this issue our Research and Development teams have been exploring how to increase recyclability through new technologies. In 2012, we have focused on facilitating discussion across industry and Government, by sponsoring the Resource Recovery Forum's summer conference and speaking about the need for more lifecycle

assessment on mixed plastics. We also hosted a roundtable with key stakeholders to help discuss this issue and develop next steps.

Fully recyclable Easter egg packaging

In March 2012, we became the first major UK confectioner to offer an entire Easter egg range with packaging that is 100% recyclable, by replacing rigid plastic with cardboard in our eggs that include branded mugs. This was the culmination of a six-year process to improve packaging recyclability.

The plastic previously used to hold the mug and the Easter egg has been replaced with recyclable, Forest Stewardship Council-certified cardboard, while the packaging 'windows' are now made of home-compostable film.

Since 2006, the weight of packaging for Nestlé medium and small eggs has reduced by 50% and 35% respectively. In 2011, we reduced the amount of packaging materials used for medium Easter eggs by a further 100 tonnes (a 13% reduction compared to 2010 and in addition to savings made in previous years).

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Many companies are doing a great job of significantly reducing Easter egg packaging and I applaud Nestlé's example of making all packaging 100% recyclable. Now I am calling on other Easter egg makers to follow suit.

//

Rt Hon Caroline Spelman MP
Secretary of State for Environment, Food and
Rural Affairs (2010–2012)

Waste

We are committed to preserving natural resources and eliminating food waste at every level of our operations. In the UK, our goal is to achieve zero waste to landfill from each of our factories by 2015 and the full recovery of unavoidable by-products.



On target for zero waste

Seven of our production sites in the UK have been verified by Bureau Veritas as sending zero production waste to landfill. This represents a major milestone towards our target of zero waste to landfill at all 14 of our UK factories, including sister companies, by 2015. Our York site achieved zero waste to landfill in July 2011, following Girvan in Scotland and Dalston in Cumbria, which both reached this status in 2010. Our Hayes, Halifax, Fawdon and Tutbury sites were also verified as zero waste to landfill in 2012.

At Tutbury, the zero waste approach includes dedicating an area to each of the factory's 16 waste streams so that the materials can be carefully observed and segregated. Waste from contractors on the site is managed in the same way, providing a uniform approach across the site. As well as training and engaging employees and contractors in the waste strategy, we have also invested in balers to ease the handling and management of packaging waste. The ability to compact materials has saved space at the factory and cut the transport footprint. Working with waste contractors who recycle in the best way possible is equally vital and the factory carries out regular auditing of suppliers to ensure compliance with waste management legislation.

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Nestlé York has demonstrated through our review that in many areas best practice is being delivered in terms of both waste management and segregation. It is also clear that the introduction of the Nestlé Continuous Excellence (NCE) programme will be key to the delivery of improvements in the future. This continues to be an extremely influential and significant programme and will be a key vehicle of change at the site.

// Waste and Resources Action Programme (WRAP)

OUR PERFORMANCE HIGHLIGHTS

Reused or recovered
more than

80%

of the waste
generated in our
factories.



Seven factory sites
verified as sending

zero

waste to landfill.



Our targets and performance are on pages 2 and 3

FareShare – ensuring no good food goes to waste

In 2011, we continued our support for FareShare, a charity working on two important issues in the UK – food poverty and food waste. FareShare redistributes surplus, fit-for-consumption food from the food and catering industry to charities who serve an average of 35,000 homeless, disadvantaged or vulnerable people a day. In 2011, Nestlé donated 1,095,200 meals worth of food to FareShare and sent 460 tonnes fewer to landfill in the process. (Source: FareShare)



Segregating waste at Tutbury factory.

Nutrition, health and wellness

Overview

The global context in which we operate influences our strategy and initiatives in nutrition, health and wellness. While millions of people across the world are affected by malnutrition and micronutrient deficiencies, more than a quarter of adults in the UK are classified as obese¹.

We are committed to providing greater access to safe, high-quality and responsibly produced products, underpinned by sound scientific research. In addition, we recognise our responsibility to ensure that consumers better understand how to enjoy our products as part of a healthy and balanced diet.

¹ Source: The Information Centre for Health and Social Care paper, Statistics on obesity, physical activity and diet: England, 2012. www.ic.nhs.uk

Consumers and our products

Combining great taste with superior nutrition can be a challenge but we are committed to investing in product innovation and reformulation to help achieve this. In 2012, we are investing £7 million to expand our UK-based global centre for confectionery research and development to accelerate and diversify product development.



OUR PERFORMANCE HIGHLIGHTS

Renovated
5,066
products in 2011,
resulting in nutritional
improvements.



Became the
first
major confectioner in the
UK to remove artificial
colours, flavours and
preservatives from our
confectionery range.



 Our targets and performance are on pages 2 and 3

Removing artificial colours, flavours and preservatives

We became the first major confectioner to remove artificial colours, flavours and preservatives from the 79 products in our confectionery range in the UK in 2011. The announcement marked the culmination of seven years of extensive research to identify alternatives to more than 80 ingredients. The alternatives include concentrates of fruit, vegetables and edible plants.

Continually improving our products

In 2011, we completed the removal of hydrogenated vegetable oil (HVO) and artificial flavours from our NESCAFÉ Café Menu Cappuccino® range (14 varieties) – resulting in an average reduction of 36% in fat and saturated fat and a 6% reduction in calories. This work began three years ago, with the removal of HVO from our NESCAFÉ Café Menu Skinny® products. In addition, our product testing showed that over 60% of consumers preferred our NESCAFÉ Café Menu Cappuccino and Cappuccino Unsweetened Taste® products to similar competitor products.

Reducing calories

We have carried out a programme of calorie reduction work in recent years, which includes the following:

- In 2011, 88% of our food and beverage range included low-calorie or calorie-free products, or lower calorie alternatives.
- 39% of our confectionery products contained less than 110 Calories per serving, with almost 90% of these being single-serve products. In addition, 63% of our entire confectionery range had lower-calorie options or offered smaller portion sizes compared to the standard product (statistics based on 2011 sales volumes).
- In 2011 and 2012, we extended our 99 Calorie biscuit range to include *Blue Riband Caramel Cream*®, *Aero Mint*®, *Aero Orange*® and *Rolo*®.
- We have re-launched *Aero Bubbly Bars*® with up to 14% fewer calories per bar, and launched a range of smaller treats including *Animal Bar*®, *Smarties Finger Puppets*®, *Jelly Aliens*® and *Milky Bar Kid*® containing 100 or less Calories per product.

Addressing the healthcare challenge through global nutrition research

Globally, we are investing in nutrition-related research and development, including the creation of the Nestlé Health Science Company and the Nestlé Institute of Health Sciences. Both are intended to pioneer new science-based personalised nutrition solutions to prevent and treat health conditions that are placing an unsustainable burden on the world's healthcare systems. In the UK, through the acquisition of Vitaflor, Nestlé Health Science develops and commercialises nutritional solutions for people with genetic disorders that affect how food is processed by the body.

Education

We have been working for a number of years to raise nutritional awareness among consumers in the UK.

Understanding the importance of breakfast

In March 2012, we launched the Nestlé Cereals 'Battle of the Breakfasts' campaign to encourage consumers to think more carefully about what they eat for breakfast and to demonstrate that by making small changes they could reduce their calorie, fat, sugar and salt intake. Celebrity ambassadors worked with an independent nutritionist to scrutinise their usual breakfast choices. The ambassadors competed to see who could make the most savings over a two-week period and the winner discovered that by switching to *Shredded Wheat*® with semi-skimmed milk and a glass of orange juice, they made an average daily saving of around 200 Calories, 20 grammes of fat, 10 grammes of saturated fat and 5 grammes of sugar. Our campaign website (www.battleofthebreakfasts.co.uk) allows users to compare the

nutritional statistics of a range of foods that are typically eaten at breakfast.

Training the next generation of chefs

In 2011, our food service division, Nestlé Professional, teamed up with the British Nutrition Foundation (BNF) to create an online course that teaches catering college students about nutrition, health and wellness. The six-module course includes topics such as energy and nutrients, understanding food labels and catering for health. We launched the course in 2012, and provided the required funding for the first 500 students to take part. After finishing the modules and passing a short test, participants receive a BNF certificate indicating that they have completed a basic course in nutrition, health and wellness. The course is now available for students across the UK for a small fee.

Employee wellness

Our employee wellness programme enables our employees to take ownership of their health and wellbeing by giving them access to better information and health services. Since 2007, we have provided nutrition and health training to more than 2,300 employees in the UK, and we aim to offer this training to our entire workforce by the end of 2013.

Providing healthy options and nutrition training

We began auditing our staff restaurants in 2010, to ensure the use of healthier ingredients, varied menu choices, reduced use of salt and increased availability of fruit and vegetables. This is in addition to providing Guideline Daily Amount (GDA) labelling for food and drink, which we began rolling out across our sites in 2007 with the aim for all sites to provide this by 2013.

75% of our staff restaurants now meet the minimum nutritional standards that we have set our catering suppliers, and we aim to reach 100% by the end of 2013. We also aim to implement nutrition training for key catering staff by the end of 2013.

Helping employees to get active

In 2011, we launched our 'Be a good sport' campaign to encourage employees to participate in sporting activities while raising funds for our Charity of the Year, Alzheimer's Society. Employees took part in a range of activities including triathlons, walks, mountain climbs and marathons. The highlight was our site-to-site cycle challenge, which gave employees the chance to cycle a leg of the 632 mile journey from our Girvan factory in Scotland to our Croydon site in England.



Social impact

Overview

From the people in our business to the farmers who supply our raw materials, the communities where we operate and those we reach everyday through our products, we recognise our responsibility to make a positive impact on society.

We are committed to promoting the principles of human and labour rights and providing a safe workplace for our employees. In addition, our business provides employment and development opportunities as well as training and technical expertise along the supply chain.

Responsible sourcing

Nearly 40% of Nestlé's global expenditure on raw materials goes towards milk, coffee and cocoa. We also source a range of key commodities such as palm oil. Responsible sourcing means we help farmers and other suppliers develop sustainable practices, thereby safeguarding incomes and ensuring a sustainable supply of high-quality materials for our products.



OUR PERFORMANCE HIGHLIGHTS

Trained

19,115

cocoa farmers on improving productivity and sustainability and distributed 824,000 higher-yielding, disease-resistant plantlets, through the Nestlé Cocoa Plan.



Purchased palm oil from

100%

certified sustainable sources since January 2012.



 Our targets and performance are on pages 2 and 3

Responsible sourcing traceability programme

In 2010, we identified the first 12 priority categories to be covered by our global Nestlé Responsible Sourcing Traceability Programme, which seeks to ensure we can identify risk and assure responsible sourcing across key product areas. We began by mapping and assessing our palm oil, and pulp and paper supply chains in 2010, and in 2011 we established responsible sourcing strategies for sugar, soya, seafood, vanilla and hazelnuts. In 2012, we will implement responsible sourcing strategies for cocoa, meat, coffee, dairy and shea.

The programme implements our commitments on a range of issues such as deforestation and forest stewardship, and child labour in agricultural supply chains.

Tackling deforestation

In 2010, we made a global commitment to ensure our products do not have a deforestation impact and partnered with The Forest Trust (TFT) to establish Responsible Sourcing Guidelines. These guidelines promote traceability and socially and environmentally sound sourcing practices.

Palm oil is an essential ingredient in many of our products, such as *Kit Kat*®. In the UK, we have already achieved our 2015 target to source 100% RSPO (Roundtable on Sustainable Palm Oil) certified palm oil. From January 2012, 70% of the palm oil we use in the UK is traceable back to RSPO certified plantations. The remaining 30%, which consists of more complex derivatives of palm oil that are more difficult to trace through the supply chain, is purchased through the GreenPalm programme. The GreenPalm programme supports the production of sustainable palm oil through a certificate trading scheme, which is designed to tackle the environmental and social problems created by the production of palm oil by rewarding the growers of RSPO certified palm oil.

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Nestlé's no deforestation policy sends a very clear message to companies that are destroying forests and peatlands for new plantations: if you don't immediately change course then your days of supplying to global brands such as Nestlé are over.

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Andy Tait
Senior Campaign Advisor, Greenpeace

UK milk sourcing



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First Milk and the dedicated group of farmers that supply milk to the Nestlé Girvan site have worked in partnership with Nestlé to create a sustainable supply chain. That work is already delivering tangible results in carbon reduction and decreased water usage on farms. Nestlé actively demonstrates that they have a key role to play in the development of British dairy industry sustainability initiatives like the Dairy Roadmap and Dairy 2020.

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Kate Allum

First Milk CEO and Dairy Roadmap Chair

Working with dairy farmers in the UK

Since 2011, we have partnered with First Milk, the only major British farmer-owned dairy company in the UK, in order to help dairy farmers reduce their environmental impact, improve the quality of their milk and in turn benefit their farming business. We have been working with a group of First Milk farmers based near our Girvan factory in Scotland who supply the site with around 75 million litres of milk each year.

Through our partnership with First Milk, more than 60 farmers who supply Girvan factory have taken part in workshops, which were accredited by the Royal Agricultural College

and covered a range of topics such as herd health, fertility, water and good environmental practices. The workshops were well received and to date the milk supply group has successfully reduced its total greenhouse gas emissions by 5.7%, equating to 5,517 tonnes of carbon saved, and reduced total non-livestock water usage by 5.1%. The figures were calculated by The E-CO₂ Project¹, which provides detailed energy and carbon assessments for farms, using a carbon footprint calculator accredited by the Carbon Trust.

The Nestlé Cocoa Plan



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Fairtrade seeks to connect farmers and workers who grow our food with the public who enjoy those goods. So it was inspiring to mark the second anniversary of Kit Kat four-finger bar becoming Fairtrade by inviting two cocoa farmers from Côte d'Ivoire to visit the UK. They saw the whole process of chocolate production, spoke to Nestlé staff, met local school children and did a brilliant question and answer session on the web. How wonderful that the man whose photo is on the back of the Kit Kat bar was in Britain talking to people who love the chocolate.

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Harriet Lamb

CEO of Fairtrade International

Working with cocoa farmers from Côte d'Ivoire

The Nestlé Cocoa Plan is a global initiative designed to address key economic, social and environmental issues faced by the cocoa-farming communities we work with. In January 2012, together with the Fairtrade Foundation we welcomed two cocoa farmers from Côte d'Ivoire to the UK to celebrate the second anniversary of *Kit Kat* four-finger becoming Fairtrade certified. Cocoa farmer Kouame Fasseri, who appeared on more than 400 million Fairtrade certified *Kit Kat* chocolate bars,

and Fulgence N'Guessan, the President of Kavokiva farming co-operative, took part in a three-day visit which included a tour of our York factory, where *Kit Kat* bars are made. In 2012, we are also providing the funding for a school to be built in Mr Fasseri's village.

¹ The E-CO₂ Project is a provider of on-farm environment and carbon assessments.

Eliminating child labour from the cocoa supply chain

We believe child labour has no place in our supply chain and we are firmly committed to taking action to eradicate the practice from our cocoa supply chain. In 2011, we became the first food company to partner with the Fair Labor Association (FLA). We commissioned the FLA to investigate our cocoa supply chain in Côte d'Ivoire to identify the risk of child labour on the cocoa farms that supply our factories.

In 2012, the FLA reported that child labour is a reality on the cocoa farms and has its roots in a combination of factors, including poverty and the socio-economic situation of farmers. The report is published on the Fair Labor Association website. We fully support

the 11 recommendations made by the FLA and have implemented an action plan to address these. The plan, which is published on our website, covers immediate actions in 2012, medium-term actions in 2013 and longer-term actions up to 2016. We will prioritise the actions needed to tackle child labour in the first two phases, and will confront other labour standards issues over the third phase. The aim is to improve management systems in our supply chain and create new mechanisms, where needed, as a basis for further actions to eliminate the causes of child labour.

The NESCAFÉ Plan



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The partnership between Nestlé and the Colombian coffee growers is a unique model in which a very recognised international brand is having direct dialogue and involvement with the producers. It is a new model that we believe creates long-term shared value for the supply chain. The NESCAFÉ Plan complements the Colombian Coffee Growers Federation's ongoing Sustainability that Matters programmes and motivates coffee growers who are now in a position to see the importance of their effort and their direct link with all the participants of the industry, including of course consumers.

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Adriana Mejía

Director for Europe, Colombian Coffee Growers Federation (FNC)

Providing training and technical assistance in Colombia

Through the NESCAFÉ Plan our global business will invest approximately £213 million in coffee projects worldwide and distribute 220 million high-yielding coffee trees by 2020. In 2011, through our partnership with the Colombian Coffee Growers Federation (FNC), we contributed funding, provided around 4.5 million disease-resistant plantlets (exceeding the 2011 objective of 4 million plantlets) and trained 1,551 farmers in good agricultural practices. We plan to roll this out to a further 900 farmers in 2012 and distribute an additional 4.5 million coffee plantlets. The coffee we purchase from these farmers is a key component of NESCAFÉ *Gold Blend*® and is compliant with the 4C (Common Code for Coffee Community) sustainability standard.

In 2012, we are also expanding the initiative to train 115 women heads of household in the farming community on matters of coexistence and prevention of family violence. We are working with The Colombian Institute of Family Welfare and the Manuel Mejía Foundation to develop and deliver this programme.

Supporting Brazilian coffee farmers

In 2012, we have launched an initiative in the Nova Resende province of Brazil, to provide Brazilian coffee farmers with 4C training. We are also funding soil, leaf and water analysis for over 1,800 farmers, and installing 20 septic tanks to prevent the contamination of nearby rivers and streams. These actions are developed in response to the needs identified by the community.

Communities

We value the communities where we operate and are committed to supporting them through a range of activities. Our community partnerships are focused on addressing the challenges around Nutrition, Health and Wellness and Environmental Sustainability. In addition, our employees are engaged in philanthropic work through our Charity of Choice fundraising partnership.



OUR PERFORMANCE HIGHLIGHTS

Provided

400,000

cups of NESCAFÉ coffee for homeless people in centres and mobile units in Ireland, during 2011.



Raised

£400,000

for our UK Charity of the Year, Alzheimer's Society and €70,000 for The Jack & Jill Children's Foundation in Ireland.



 Our targets and performance are on pages 2 and 3

Nestlé Healthy Kids global programme

Our global programme, Nestlé Healthy Kids, aims to help children across the world become more aware of nutrition, health and wellness. As part of this, in 2011 we continued our UK partnership with children's charity 4Children, to run the Make Space for Health campaign.

Make Space for Health aimed to increase nutrition, health and wellness awareness among young people and promote healthy lifestyles to 11 to 19-year-olds through a network of out-of-school clubs. In 2011, our £150,000 investment helped Make Space for Health reach nearly 650 children directly (and many more with our programme materials), and partner with five local authorities and armed forces youth centres.

PhunkyFoods

In 2011, we continued to support PhunkyFoods, an independent, curriculum-based programme providing healthy lifestyle lesson plans and resources for UK primary schools. We donated £75,000, which helped 71 schools to renew their memberships and 50 new schools to join the programme. This enabled 24,000¹ school children to learn about healthy eating and physical activity.

Challenges and future plans

Following a review of our community programmes, our partnership with 4Children came to an end in January 2012. We believe that by focusing our efforts on a new Nestlé UK Healthy Kids programme in partnership with PhunkyFoods, we can make a greater difference in this area. In 2012, we will invest £220,000 to roll out the programme to all primary schools in York and Tutbury. This will also fund research at Leeds Metropolitan University to evaluate the programme and provide nutritionist support to help our schools deliver the programme effectively.

Continuing our support for the catering industry

This year, we continued to support the hospitality industry through our nationwide student catering competition, Nestlé Toque d'Or®. The contest gives students from catering colleges across the UK the opportunity to bridge the gap between theory and hands-on skills with the support of experienced mentors. For the 2012 competition, students were asked to design and present a concept restaurant and create a healthy, two-course lunch menu that took into account issues such as nutrition and sustainability.

¹ 2010–2011 academic year.

People

We employ around 327,500 people globally and around 6,400 people across 19 sites in the UK and Ireland. We are committed to helping our employees achieve their potential, providing them with a safe working environment and embracing equality and diversity throughout our workforce.



Training and development

Developing talent through the Nestlé Academy

In 2011, we launched the Nestlé Academy to bring together our graduate and apprentice programmes, direct entry schemes and vocational training courses. The academy offers flexible entry points to attract people at different life stages, and provide an alternative route to education, offering NVQs and degree-level qualifications.

Doubling our number of apprentices and graduates

We are committed to providing training opportunities for young people in the UK. In 2011, we recruited 25 graduates and 9 apprentices while committing to double our intake of both graduates and apprentices in 2012 and offer an additional 22 internships to university students. So far in 2012 we have taken on 44 graduates, 16 apprentices, 12 university interns and 23 student placements. We also recruited our first commercial apprentice in Human Resources and in the future we plan to extend our apprenticeship programme across other business functions, such as Sales.

Adult apprenticeships

We are committed to ensuring our employees have varied career development routes throughout the organisation. In 2011, four existing employees were given the opportunity to build and develop their skill set through an adult apprenticeship programme in Advanced Engineering. The apprentices based in our Tutbury and Halifax factories are participating in a two-year programme including a mix of college study and on-the-job experience, leading to a new role as a Plant Technician.

OUR PERFORMANCE HIGHLIGHTS

Provided leadership courses for

2,103

employees from around the world in 2011.



Delivered **798** courses to **9,892** attendees¹ in 2011, covering leadership and management, core skills and functional training.



Our targets and performance are on pages 2 and 3

Confectionery Academy

We launched our Confectionery Academy in 2011 to develop our next generation of confectioners. Fifteen employees, selected from various roles across the business, joined the academy to gain a range of confectionery skills, including chocolate tempering, toffee manufacturing and biscuit baking. Employees who complete the course are awarded a Diploma Level 3 in Food Industry Skills.

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The Nestlé Academy is a great example of our industry taking action to ensure we attract and retain the best talent in order to deliver sustainable growth. Nestlé's impressive programme demonstrates how providing the right support and development and nurturing an entrepreneurial mindset can uncover individuals' potential and help to create the industry leaders of tomorrow.

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Angela Coleshill

HR Director, Food and Drink Federation

¹ This data relates to Nestlé in the Market (NIM).

Diversity

We embrace cultural and social diversity across our workforce, our customers and the communities where we operate.

Gender balance

Since the launch of our gender balance initiative in 2008, the percentage of women on our leadership teams around the world has increased by over 35%. In 2011, we held gender balance awareness workshops and action-planning sessions to help our UK senior leadership teams identify how to address this issue across the UK business. In the future, we will offer these sessions to all line managers as a mandatory part of line manager training. In 2011, 30% of our entire workforce in the UK and Ireland was female, with 12% of these in management positions. The total number of female employees in management positions in the UK has increased by 19% over the past five years.

Social mobility

In 2011, we signed up to the Social Mobility Business Compact launched by Deputy Prime Minister, Nick Clegg, to create fairer opportunities for people to access training

and jobs. Part of our focus in this area has been to create awareness of the range of careers that are open to young people from all backgrounds in the food and drink industry. In March 2012, we co-hosted an exhibit with the Food and Drink Federation at the Big Bang Science and Engineering Fair, to promote the opportunities in food manufacturing to young people.

Supporting a national equality standard

In 2012, we announced our support for the development of a national equality standard. There is currently no such recognised standard for the UK, and this has led to inconsistent approaches to tackling inequality and promoting inclusion. In joining the new working group, alongside the Equality and Human Rights Commission, we are contributing towards implementing a national equality standard with clear diversity objectives. Companies will be awarded a national equality certification if an internal audit finds them to be meeting all the necessary diversity requirements.

Safety and health

The safety and health of every employee, contractor and visitor is of paramount importance to us and we are committed to creating a world-class safety culture.

Raising awareness of safety and health

In 2011, we successfully launched our employee-based safety programme '3A' (Awareness, Action and Agreement) across the UK. This is an employee-led observation programme focusing on reporting safe and unsafe acts and conditions.

OUR PERFORMANCE HIGHLIGHTS

Introduced regular reviews of safety and health performance in

all Executive Board meetings.

This model is now being followed in management meetings across the world.



Achieved a **78%** reduction in Lost Time Safety Incidents and reduced the number of work days lost by 82% since 2006 (2011 Lost Time Incident Frequency Rate was 1.2²).



Our targets and performance are on pages 2 and 3



Safety messaging is a priority in each of our sites to ensure employee awareness.

Industry recognition

In October 2011, our York factory came in the top three in the National Food and Drink Health and Safety Awards organised by the Institute of Occupational Safety and Health. The factory won third spot for integrating safety and health into employee performance appraisals and for developing specialist safety and health competencies for managers.

2 The rate shows 1.2 lost time accidents for every million hours worked.

Investment and growth



We are committed to growing our business in the UK and Ireland by investing in our brands, our people and our factories. In 2011, we committed to invest £500 million over three years to establish our next generation of world-class manufacturing facilities in the UK.

Investing in world-class manufacturing

In 2011, we announced our plans to invest £110 million at our Tutbury site in Derbyshire to extend the NESCAFÉ Dolce Gusto® plant, creating 300 new jobs and trebling the site's production.

In January 2012, we proposed to invest a further £200 million to boost the NESCAFÉ coffee manufacturing facility and create an additional 125 jobs for the site. This investment will allow us to transfer coffee production from Hayes factory to the new Tutbury plant, bringing all forms of coffee production including freeze-dried, spray-dried and pod technology together for the first time in the UK. We anticipate that the transfer will be completed by 2014.

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This new investment by Nestlé, and the jobs it will create, is brilliant news for UK manufacturing and for the local community. This demonstrates what can be achieved by investing in capacity and people, as Nestlé has done consistently over recent years. The jobs created by this new investment will benefit both skilled workers and those leaving school who will be able to train in the workplace to become the skilled workers of the future.

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Rt Hon David Cameron MP
Prime Minister, Tutbury visit, November 2011

OUR PERFORMANCE HIGHLIGHTS

Invested more than

£12 million

in our Dalston factory in Cumbria to make it a European centre of excellence for NESCAFÉ Cappuccino®.



Invested

£35 million

in a new bottling and warehousing plant in Buxton, one of the most efficient operations of its kind in the world.



Our targets and performance are on pages 2 and 3

Stakeholder engagement

Our goal is to build trust with our stakeholders through open dialogue and increased engagement. This enables us to identify emerging issues and to continue to improve our performance.



Stakeholder convenings

Regular stakeholder convenings form an important part of our engagement processes on a global level. In 2011, we held a stakeholder convening in London to discuss our performance and understand stakeholder expectations and concerns. The convening was facilitated by AccountAbility and there was a wide-ranging discussion on specific areas of concern, such as climate change adaptation, obesity, and water stress and scarcity. Stakeholders also made a number of recommendations such as the need to integrate stakeholder engagement more widely across the business.

An active role in the future of manufacturing

In 2012, we became actively involved in the High Level Stakeholder Group for the new Foresight project. This will explore the future of manufacturing in the UK and make policy recommendations to secure our industrial competitiveness for the long term.

In support of this agenda, our CEO Paul Grimwood co-chaired the UK Department for Environment, Food and Rural Affairs' (Defra) Agrifood and Drink Export Forum alongside the former Minister of State for Agriculture, Jim Paice MP. The Forum developed the UK Government Exports Action Plan, launched in January 2012, a strategy to drive forward food and drink export growth.

Paul Grimwood also chaired the Food and Drink Federation Competitiveness Steering Group, which created the 20/20 Vision for Growth for the UK Food industry alongside the UK Department for Business, Innovation and Skills (BIS) and Defra.

Roundtable discussions on key issues

In 2012, we launched a series of roundtable discussions in the UK to improve dialogue with stakeholders on key issues such as deforestation and the challenge of mixed plastics recovery. These events allow our internal experts to engage with others from industry, Government and thought leaders to help improve our strategies. Our events will continue over the year and beyond, covering issues such as child labour in the agricultural supply chain.

Public Health Responsibility Deal

In March 2011, we committed our support for the Department of Health's Public Health Responsibility Deal by signing up to all of the initial Food Pledges, and all the relevant Health at Work and Physical Activity Pledges. In 2012, we became one of the first signatories of the Calorie Reduction Pledge and Caterers Salt Pledges, which is an extension of the work we have carried out in recent years.

About this report

Nestlé UK & Ireland is a subsidiary of parent company, Nestlé S.A., the world's leading nutrition, health and wellness company.

Nestlé UK & Ireland

Seventy Nestlé brands are sold in the UK, including *Kit Kat*, NESCAFÉ, *Smarties*®, *Buxton*®, *Go Cat*® and *Shreddies*®.

We are a major player within the UK and Irish food industry, employing 6,400 employees across 19 sites. This includes our sister companies Nestlé Waters, Purina Petcare, Nestlé Professional, Nestlé Nutrition, Nestlé Health Science, Cereal Partners UK and Lactalis – Nestlé Chilled Dairy Company Ltd.

Around 96% of UK households consume our brands and more than two billion Nestlé products are sold in the UK every year. In the UK and Ireland, we are one of the food industry's major exporters, providing over £300 million worth of products annually to over 50 countries.

Compliance

At Nestlé, compliance is the foundation of how we do business and a non-negotiable requirement for everything we do. It is based on our commitment to act with honesty, integrity and respect for laws and regulations.

Our Corporate Business Principles include our commitment to the 10 UN Global Compact Principles on Human Rights, Labour, the Environment and Corruption, and other relevant international human rights and labour standards.

Boundary

The information contained in this plan is focused on Nestlé UK & Ireland with contribution from our sister companies (Nestlé in the Market businesses) where relevant. All targets and performance highlights relate to Nestlé UK & Ireland, unless otherwise stated.

Timeframe

Data relates to Nestlé UK & Ireland's operations for the year ending 31 December 2011, although some case studies and new targets are from 2012 and illustrate ongoing work programmes.

Data measurement

Nestlé has developed performance indicators to provide a focus for measuring and reporting Creating Shared Value (CSV), sustainability and compliance. Unless stated otherwise: targets and performance indicators are for the year to 31 December 2011, reported as at year end; and statistics relate to Nestlé UK & Ireland.

Future reporting

Our objective is to ensure we maintain consistent and provide regular reporting against our business activities. From 2012, we will report annually on our progress towards CSV.

Assurance

Our CSV reporting is subject to independent third-party assurance by Bureau Veritas Ltd – please see opposite page for the statement.

Independent assurance statement

To: The Stakeholders of Nestlé UK & Ireland

Introduction, objectives and scope of work

Bureau Veritas has been engaged by Nestlé UK & Ireland (Nestlé) to provide independent assurance over its 2012 Creating Shared Value (CSV) Plan. The preparation of the CSV plan is the sole responsibility of Nestlé. Our obligation is to stakeholders of Nestlé to provide reassurance that the reported CSV information is accurate and reliable. Bureau Veritas is exclusively responsible for the content of this statement. The scope of work included a review of CSV activities and performance data over the reporting period stated on page 24.

Our approach

To inform our assurance engagement, we interviewed 16 personnel from the UK headquarters with responsibilities for the content of the plan, and reviewed management documents, databases and the reporting systems for providing the consolidated performance information presented in the plan. Additionally, we visited three production sites (Fawdon, Buxton and Staverton) to verify performance data and CSV information at a local level. We are confident that Nestlé has provided access to all documentation and data required to undertake the work and that no material has been withheld that may alter our opinion.

Our opinion

In our opinion, the content of the CSV plan provides an accurate account of Nestlé's performance during the reporting period. While we consider that the information presented in the plan is reliable, it is our opinion that stakeholders would be provided with a greater understanding of the CSV journey through increased disclosure by Nestlé of the challenges it faces in delivering its CSV strategy.

Our observations and recommendations

- Commitment to the CSV agenda is evident at every level in the business; among others this has been achieved by empowering employees in the factories through the Nestlé Continuous Excellence (NCE) programme and through senior management leadership in quarterly Nestlé UK CSV Steering Groups.

- Nestlé has reported Safety, Health and Environment performance information in a manner that enables its stakeholders to analyse its long-term performance. Given the large amount of data being reported and collated throughout the organisation, Nestlé should review and implement additional internal validation procedures to further improve the ongoing accuracy of the data.
- Some of the targets and objectives presented in the CSV plan could be improved by ensuring that they are specific, measurable, achievable, realistic and time-based.

Exclusions and limitations

Excluded from the scope of our work is information relating to activities outside the defined reporting period or scope, any expressions of opinion, expectation, aim or future intent, statements made by any third parties and financial data. This independent statement should not be relied upon by third parties to detect all errors, omissions or misstatements that may exist within the plan.

Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in quality, health, safety, environment, and social accountability with over 180 years' history. Its assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes. Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff maintain high standards in their day-to-day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in any other projects with Nestlé outside those of an independent assurance scope and we do not consider there to be a conflict of interest.



London, October 2012



Feedback and contact details

We hope you find this report engaging and informative, and welcome your input and views, which can be sent to Nestle.Update@uk.nestle.com

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October 2012