



Nestlé

Good Food, Good Life

Creating Shared
Value at Nestlé

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Nestlé Creating Shared Value Report 2009



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



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Download our summary report



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Creating Shared Value at Nestlé

What is Creating Shared Value?

As a basis for responsible operations and business success over the long term, Nestlé believes it must manage its operations in a manner to comply with the highest standards of business practice and environmental sustainability.

This involves *compliance* with national laws and relevant conventions, as well as our own regulations, which often go beyond our legal obligations. These are laid out in our [Nestlé Corporate Business Principles](#) and related policy documents, and their application is verified through our [CARE programme](#) and our internal Corporate Group Auditors.

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



However, we believe that to build a profitable business for our shareholders, we must go beyond compliance and sustainability to a third level: creating long-term value both for society and for our shareholders. This is what we mean by *Creating Shared Value*:

- using our core business strategies and operations to create value for shareholders;
- serving consumers and the public by offering them nutritious products that are both enjoyable and contribute to their health and wellbeing;
- seeking to improve the economic and social conditions for people and communities across our entire value chain – for farmers who supply us raw ingredients, for communities where our factories are located, for suppliers who work with us and for our trade partners.

A message from our Chairman and CEO

Over the past two years, our Company has been working with other stakeholders to better define how business can serve the needs of society, and particularly Nestlé's role in global development. In April 2009, we sponsored our first Creating Shared Value Forum in collaboration with the United Nations in New York. It involved stakeholders from intergovernmental, humanitarian and religious organisations, academia, and a newly formed Creating Shared Value Advisory Board of global experts. As a result, our thinking has evolved from the concept of Corporate Social Responsibility (CSR) to that of Creating Shared Value (CSV).

Creating Shared Value says that for our business to be successful in the long run, it must consider the needs of two primary stakeholders at the same time: the people in the countries where we operate and our shareholders.

Any business that thinks long term and follows sound business principles creates value for society and shareholders through its activities, eg, in terms of jobs for workers, taxes to support public services, and economic activity in general.

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

At Nestlé, we have analysed our value chain and determined that the areas of greatest potential for joint value optimisation with society are water, rural development and nutrition. These activities are core to our business strategy and operations, and we have joint programmes with over 100 organisations around the world in these three areas:

- *Water:* because the ongoing quality and availability of it is critical to life, the production of food and to our operations.
- *Rural development:* because the overall wellbeing of the farmers, rural communities, workers, small entrepreneurs and suppliers are intrinsic to our ability to continue to do business in the future.
- *Nutrition:* because food and nutrition are the basis of health and of our business – it's the reason why we exist.

These three areas are fundamental to our overall business goal, which is "To become the recognised leader in Nutrition, Health and Wellness, trusted by all stakeholders".

Creating Shared Value is open for all companies to apply. While we at Nestlé have adopted a Creating Shared Value approach to our business, we make no proprietary claim, and Creating Shared Value is a way of thinking that is available to any company that wants to utilise it.

We are dedicated to continuous improvement and this report charts our progress in implementing Creating Shared Value across the Company. We also welcome your comments on this report, as constructive feedback is key to our own learning.



Nestlé Chairman Peter Brabeck-Letmathe joins sixth graders from Seoul Soorak Elementary School, Korea, in a lesson about nutrition, delivered as part of the Healthy Kids Programme.



Nestlé Chief Executive Officer Paul Bulcke visits a Maggi stand during a visit to a market in Ghana.



Peter Brabeck-Letmathe
Chairman of the Board



Paul Bulcke
Chief Executive Officer

2009 reporting focus: the value chain

Creating Shared Value and the value chain

The primary way we create value is by offering consumers tasty, nutritious products that contribute to their health and wellbeing, but we also create value for people and society across the entire business value chain – for farmers who supply us raw ingredients, for communities where our factories are located, for suppliers who work with us, and for our trade partners.

The diagram below illustrates how Nestlé's actions, driven by Creating Shared Value, create value for the business (in economic, innovation, social and environmental terms) that is shared with the societies where we are present. It was developed as a conceptual framework to measure a company's overall net impact on its stakeholder groups by the Centre for International Business at Leeds University Business School.

The matrix has already been used to assess the full impact of some of our business activities, such as the construction of our new *Nespresso* factory in Avenches, Switzerland and our milk district operations in Pakistan.

Nestlé Creating Shared Value (CSV) - sharing with:

	Economic	Innovation & Knowledge transfer	Social / health environment
Consumers	Consumer surplus	Knowledge on nutrition & health	Fortified food manufactured products with low cost
Suppliers & Distributors	Suppliers of raw materials and packaging	Knowledge transfer to farmers, improvements in the food value chain	Sustainable processes (eg. farming, animal health)
Industry	Price and cost pressure on other actors of the industry to productivity	Knowledge spillovers (copying & competitive pressure,) improve the efficiency of food industry	Improvements of labour & environmental standards
Employees	Jobs & income for employees and their families	Training of employees	Social security, workplace health & safety
Communities/ Government	Taxes, infrastructure, etc	Community education programmes (eg. Healthy Kids)	Rural development: more sustainable use of resources
Shareholders	Increased share-holder value		Shareholder value for pension funds

Nestlé Pakistan: Creating Shared Value in the dairy sector

Nestlé Pakistan plays a central role in the modernisation of the dairy sector in Pakistan. It is the dominant actor in the milk processing industry and in the development of the milk district in rural areas, increasing productivity, improving market access and promoting diversified livelihoods for smallholders. At the same time, Nestlé Pakistan generates and shares economic value, knowledge, health, social coherence and protection for the natural environment for the following shareholder groups at a regional, national and global level:

- **Consumers:** The value shared with consumers (the value above the price paid, and in excess of what consumers expect from our competitors) was estimated to be CHF 120–230 million in 2008. By sourcing its milk directly, testing the quality of the milk, and using cooling stations and collection points, Nestlé has helped to prevent adulteration and unhygienic milk handling. By offering higher quality milk, Nestlé has responded to growing consumers' expectations. It has also fortified its products with iron to help to prevent anaemia, a major public health issue in Pakistan.
- **Suppliers:** Nestlé Pakistan is the largest processor of milk in Pakistan, buying milk directly from over 150 000 farmers. These farmers are predominantly smallholders, almost all of whom sell the equivalent of the daily production of one buffalo. Dairy farms selling milk to the processing industry earn about 59% more per cow/buffalo, the environmental production conditions within the milk districts are superior to non-milk districts, and school enrolment among the daughters of smallholders within the milk district has increased.
- **Industry:** The success of Nestlé Pakistan's milk districts has drawn in other domestic players, leading to an increased competition at the farm gates and among consumers. Increased competition has led to higher prices for smallholders, increased farm efficiency and lower price premiums for processed milk.
- **Employees:** Nestlé Pakistan employed 2377 people in 2008, with a total salary of CHF 32 million. The average salary of a factory worker is more than double the average wage of the milk processing industry, and four times that of the informal sector. The equivalent of 3% of wages was spent on training, and by getting the Sheikhpura milk processing factory certified to the highest ISO 14000 and OHSAS 18001 standards, Nestlé further improved employee safety and working conditions.
- **Communities:** The net effect of Nestlé Pakistan's activities in the dairy sector amounts to more than 80 000 jobs, equivalent to 35 indirect jobs for each Nestlé employee. Contrary to the traditional, informal dairy sector, Nestlé paid CHF 22.5 million in taxes in 2008, representing 0.16% of total government revenues.
- **Shareholders:** Nestlé Pakistan generated wealth for its shareholders, with market capitalisation increasing by a yearly average of 28% between 2003 and 2008. When combined with the dividends paid during that period, Nestlé Pakistan generated some CHF 652 million, of which CHF 267 million went directly into the economy of Pakistan.

Nestlé Nespresso SA: Ecolaboration™

Ecolaboration™, launched in June 2009, is the *Nespresso* platform for sustainable innovation, and our latest example of Creating Shared Value throughout the value chain.

Through Ecolaboration™, *Nespresso* has consolidated all its sustainability efforts in coffee sourcing, capsule recycling and energy-efficient machines into one concerted programme, and committed itself to meet three targets by 2013:

- to source 80% of its coffee from its AAA Sustainable Quality™ Program and Rainforest Alliance Certified™ farms;
- to put systems in place to triple its capacity to recycle used capsules to 75%;
- to reduce the carbon footprint required to produce a cup of *Nespresso* by 20%.

With an average annual growth rate of 30% since 2000 and sales of CHF 2770 million in 2009, *Nespresso* is the fastest-growing “billionaire brand” of the Nestlé Group. It also has an established track record of sustainability, establishing the *Nespresso* AAA Sustainable Quality™ Program in 2003 with Rainforest Alliance, through which only the highest-quality beans are sourced and where farmers are paid a premium. In 2009, almost 50% of the total green coffee beans *Nespresso* purchased came from its AAA Sustainable Quality™ Program, and *Nespresso* has committed to increase this to 80% by 2013.

Ecolaboration™ builds on all such activities, taking them a step further and extending the approach across the value chain for a broader and deeper level of sustainable success. Through this new framework, *Nespresso* will formalise its relationships with technical experts, NGOs, business partners and other key stakeholders, sharing best practice and collaborating on new ideas and innovations to improve the sustainability performance of *Nespresso*.

As it evolves, Ecolaboration™ will involve collaboration and innovation in each area of focus, to help *Nespresso* meet its targets:

- **Coffee sourcing:** Ecolaboration™ encompasses even deeper collaboration with the Rainforest Alliance and takes the *Nespresso* AAA Sustainable Quality™ Program to the next level, with *Nespresso* committing to source 80% of its coffee from its unique *Nespresso* AAA Sustainable Quality™ Program, including Rainforest Alliance certification of the farms, by 2013;
- **Coffee capsules:** the AluCycle™ initiative brings together key stakeholders in the mining, refining, retrieval and recycling of aluminium – including the AluCycle™ Forum convened with environmental organisation IUCN in June 2009 – to support and improve the sustainability performance of the *Nespresso* aluminium capsules;
- **Nespresso machines:** the VerTech™ Network brings together machine suppliers, engineers and sustainable technology experts to design the energy-efficient *Nespresso* machines of the future.

Nespresso Club Members, key stakeholders and the public can all access more information about Ecolaboration™ targets and initiatives at a new interactive

Nestlé Nespresso SA: Ecolaboration™ continued

website, www.nespresso.com/ecolaboration. Through the site, communication in boutiques and in the *Nespresso* Club magazine, consumers can learn more about the role they can play, whether it's returning capsules for recycling or using their *Nespresso* machines efficiently. More information is also available at www.ecolaboration.com/mediacenter

Creating Shared Value through the value chain

Agriculture and rural development



In Guatemala, representatives of the Rainforest Alliance and Nespresso assess the quality of the coffee crop

Value to society:

- Improved farm management through tools, training and technical know-how supplied to farmers
- Quality and biodiversity fostered on coffee farms
- Highest-quality coffee for consumers
- Higher incomes and living standards

Value to Nespresso:

- Secure supply of premium-grade coffee
- Motivated, empowered farmers

Environmental sustainability



Customers can bring back their used capsules to collection points such as this one in a Nespresso boutique and Nespresso will ensure they are recycled

Value to society:

- Reduced impact of bauxite extraction and aluminium production
- Supporting and contributing to sustainable use of aluminium
- Less waste
- Better recycling and reuse of used capsules

Value to Nespresso:

- Better management of valuable raw materials
- Club Members even more engaged with their brand

Products and consumers



Award-winning CitiZ range has eco-timers and stand-by switches on all machines

Value to society:

- Significant reduction in carbon footprint
- Saving in electricity consumption

Value to Nespresso:

- Significant reduction in carbon footprint

Material issues, key performance indicators and focus areas


For the first Creating Shared Value Report, published in 2008, we worked with SustainAbility, an independent corporate responsibility and sustainable development consultancy, to undertake a systematic process to prioritise the issues deemed most critical to the Company, drawing on the opinions of investors, civil society groups and the media, and assessing them with Nestlé executives.

For this report, we again asked SustainAbility to review this prioritisation. Firstly, they conducted a comprehensive identification of sustainability issue 'clusters' of relevance to our business, in collaboration with Nestlé executives. Then, for each issue cluster, SustainAbility assessed the degree of societal interest from investors, NGOs and the media, the potential impact of the issue on our business, and our ability to influence the issue. This resulted in a set of validated priority issues ranked according to relative impact on society and impact on our business.

We concluded that while the relative materiality has not changed, external interest has increased for all of Nestlé's top issues, with Nutrition, Health and Wellness, and marketing and communication increasing in interest to the investor community in particular. It also became clear that, alongside water, climate change is a critical issue cutting across each stage of the value chain (see chart below).

The following areas were therefore prioritised for inclusion in this report:

- Nestlé's strategy of using science and technology to create nutritionally superior products, and responsible communication about Nutrition, Health and Wellness to consumers (see [Nutrition](#));
- how we manage our operations with respect to the environment, with particular focus on the availability and accessibility of water and the impact of climate change (see [Water and environmental sustainability](#));
- Nestlé's approach to agricultural sourcing and supplier development (see [Rural development](#));
- operating as a responsible employer (see [Our people](#)).

As part of our commitment to more evidence-based reporting, we also asked SustainAbility to facilitate, in collaboration with Nestlé experts, the process of developing a select number of strategic Key Performance Indicators (KPIs). These KPIs are summarised [here](#) and highlighted throughout the report by means of the following icon . The goals and actions are listed at the start of each section. We welcome feedback on these KPIs, goals and actions, and how they may be improved to more effectively communicate and to drive progress against our CSV strategy.



Our focus areas

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

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

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

2009 initiatives

In April 2009, Nestlé announced three new Company initiatives to contribute to solutions in these three areas:

- A *Nestlé Prize in Creating Shared Value* will be awarded every two years, starting in May 2010. Financial support of up to CHF 500 000 will be offered to the winning individual, NGO, or small or medium enterprise to invest in an innovative solution for improving nutrition, water management and accessibility, or rural development. Visit www.creatingsharedvalue.org
- The opening of the *Abidjan Research and Development Centre* in Côte d'Ivoire will help to increase agricultural productivity and the safety of foods by developing and improving local crops, and build on Nestlé's expertise in high-potential plantlet propagation supporting cocoa and coffee sustainability.
- Through the *Nestlé Healthy Kids Global Programme*, Nestlé intends to improve Nutrition, Health and Wellness awareness of school-age children around the world. Nestlé intends to implement the programme in all countries where it has meaningful presence by the end of 2011.

Challenges

As a global company, Nestlé faces many challenges. They are varied in nature, spanning social, environmental and economic issues, and range from local to global in scale. To read more about them, please follow the links below.

The double burden of malnutrition: While nutrition has largely improved worldwide over the past 50 years, new nutrition-related problems have emerged, ranging from under-nutrition in developing countries through to increasing rates of obesity in both developing and developed countries. Both contribute to increasing rates of chronic disease around the world.

Meeting the nutrition needs of low-income consumers: Our objective is to provide consumers with nutritious products regardless of where we sell them and for how much. Our Popularly Positioned Products provide those people at or near the base of the income pyramid with affordable food products.

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

Infant formula marketing: Nestlé believes in the superiority of breastfeeding and recognises the importance of the World Health Organization's (WHO) International Code of Marketing of Breast Milk Substitutes, particularly in countries where poor sanitary, economic and social conditions prevail. Nestlé sells and markets infant formula products responsibly, and we voluntarily and unilaterally apply the WHO Code in all developing countries. To ensure compliance with the WHO Code, Nestlé has developed a unique global management system, and all personnel involved in the marketing of breast-milk substitutes are trained and regularly tested.

The global water crisis: In recent years, water has been increasingly recognised as equal to climate change as a pressing environmental issue. With approximately two-thirds of all water being withdrawn by agriculture, the future of agriculture and food security is at stake if we are not able to solve the world's water crisis. We have adopted rigorous standards to reduce water consumption at our plants and facilities, and help farmers to become better stewards of water, support water resource awareness and education programmes, and participate in global dialogue with leading experts and policymakers.

Renewable energy: In addition to operational efficiency improvements and energy-saving equipment, we continue to explore the industrial feasibility of switching to more renewable energy sources to reduce our reliance on fossil fuels. A number of projects have come on-stream in 2009 which will increase our overall proportion of energy derived from renewable resources, including a landfill gas project in Ohio, USA, that recovers methane, the generation of energy from spent coffee grounds at a factory in Colombia and solar panels on the roof of our Purina factory in Denver.

Bottled water packaging: Nestlé Waters has significantly reduced the volume of packaging material used per litre of bottled water and introduced the best-in-class Eco-Shape lightweight bottle in the USA in 2007. In addition to weight reduction, improvements in environmental performance are also relevant, and our packaging eco-design tool can assist in the selection of the most appropriate packaging for many products. We also have an important role to play in contributing to collection and recycling systems, and raising awareness among consumers about their role in collecting bottles for recycling.

Sustainable palm oil: We share the concern about the serious environmental threat to rainforests and peat fields caused by palm oil plantations, and participate in multi-stakeholder solutions to this complex problem. We only buy processed palm oil and processed oil mixes, we do not use crude palm oil and we have no direct link with plantations. We have also undertaken an in-depth review of our supply chain and committed to using only Certified Sustainable Palm Oil (CSPO) by 2015. Nestlé recently joined the Round table on Sustainable Palm Oil (RSPO) and has repeatedly spoken out against the production of palm oil for a biofuel.

Child labour in the agricultural sector: As a founding participant in the International Cocoa Initiative, set up specifically to eradicate the worst forms of child labour, Nestlé and other industry players are improving access to education and addressing all forms of exploitation of children, forced labour and its causes.

Governance

Governance structure

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

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

Principles and policies

Nestlé's corporate culture and relationship with its stakeholders is expressed in a number of documents. Our overall framework continues to be our evolving *Nestlé Corporate Business Principles*, which guide our behaviour in relation to all relevant stakeholders, supported by the *Nestlé Management & Leadership Principles* and the *Nestlé Code of Business Conduct*. These reflect the 10 [UN Global Compact Principles](#) on Human Rights, Labour, the Environment and Corruption, and other relevant international human rights and labour standards.

Compliance

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

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

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

Creating Shared Value Advisory Board

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

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

The members of the CSV Advisory Board are listed online at www.nestle.com/csv/advisoryboard

Stakeholder engagement

During 2008 and 2009, Nestlé continued its commitment to open dialogue with all stakeholders, including consumers, customers, employees, investors and others, using a wide variety of channels.

CSV Forum

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

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

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

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

Stakeholder convenings

Reflecting on and attempting to manage the fallout of the recent global financial crisis, over 2008 and 2009, we re-invited experts we first met in 2007, and new stakeholders, to attend stakeholder convenings, to help us better understand the changing needs and expectations of society as it relates to Creating Shared Value.

In particular, the convening discussions aimed to:

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

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



Harvard Business School's Michael Porter, one of the experts on the new Nestlé Creating Shared Value Advisory Board, speaking at the CSV Forum in New York.

Stakeholder convenings – expert participants*

Washington, October 2008

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

Geneva, October 2009

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

Kuala Lumpur, December 2009

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

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

Key issues identified

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

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

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

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

Insights and learning for Nestlé

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

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

Other stakeholder partnerships

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

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

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

Support for global principles and goals

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

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

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

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

UN Global Compact Principles

Nestlé's *Corporate Business Principles* guide our behaviour in relation to all relevant stakeholders. They reflect the basic concepts of fairness, honesty and respect for people and the environment in all our business actions, and incorporate the 10 UN Global Compact (UNGC) Principles on Human Rights, Labour, the Environment and Corruption. In 2009, Nestlé also became a member of GCLead, a leadership platform comprising a select group of leading UN Global Compact "champion" companies.

There are many examples of actions that indicate our support for them, a few of which are summarised in this report.

The UN Global Compact Principles	Examples of Nestlé actions in 2009
Human rights	<u>Danish Institute of Human Rights analysis</u> ; <u>The Cocoa Plan</u> ; <u>UNGC Human Rights Working Group</u>
Labour	<u>Labour relations</u> ; <u>Gender balance</u> ; <u>UNGC Labour Rights Working Group</u>
Environment	<u>Nespresso Ecolaboration™ programme</u> ; <u>Water Resources Review</u> ; <u>International Water Management Institute study</u> ; <u>Update of Nestlé Policy on Environmental Sustainability</u> ; <u>Participation in the Carbon Disclosure Project</u>
Anti-corruption	<u>Extension of CARE programme to include business integrity</u>

CEO Water Mandate

In October 2008, the UN Global Compact Office officially established the Transparency Policy for the CEO Water Mandate, launched in July 2007 to advance best practice in sustainable water management in the private sector. In 2009, new workstreams on human rights, public policy engagement and water accounting were added to the Mandate, which held two working conferences in Istanbul and Stockholm involving signatories and external stakeholders.

The Mandate has also introduced an official Communication on Progress (COP) on water. As a founding signatory of the Mandate, Nestlé supports this approach and has structured its water reporting around the six core elements of the Mandate (see the Environmental sustainability section of this report and www.nestle.com/CSV/Water/MissionsAndInitiatives/CEOWaterMandate.htm)

UN Millennium Development Goals

We also contribute towards achieving the UN Millennium Development Goals (MDGs), which aim for positive, sustainable change (see below). Nestlé regards the MDGs as highly important objectives that, through partnerships that harness local knowledge and capabilities, can result in positive, sustainable change.

Many of our actions support the UN Millennium Development Goals. For example, initiatives like our Popularly Positioned Products strategy and our capacity-building and rural development programmes help to alleviate extreme poverty and hunger (goal 1), while effective water management, reducing our carbon footprint, increased recycling and innovations in packaging contribute to goal 7: ensuring environmental sustainability.

The UN MDGs	Examples of Nestlé actions in 2009
1. Eradicate extreme poverty and hunger	<u>CSV in the dairy sector, Pakistan</u> ; <u>The Cocoa Plan</u> ; <u>Popularly Positioned Products</u>
2. Achieve universal primary education	<u>Zakoura Foundation, Morocco/Healthy Kids programme</u>
3. Promote gender equality and empower women	<u>Women's dairy development in India</u>
4. Reduce child mortality	<u>Micronutrient fortification of affordable products</u>
5. Improve maternal health	<u>Micronutrient fortification of affordable products</u>
6. Combat HIV/AIDS, malaria and other diseases	<u>Awareness-raising within Sustainable Tree Crops programme</u> ; <u>HIV-awareness projects</u>
7. Ensure environmental sustainability	<u>Ecolaboration™</u> ; <u>Renewable energy</u> ; <u>Plastic bottle recycling</u> ; <u>Optimising packaging</u>
8. Develop global partnerships	<u>CSV Advisory Board</u> ; <u>support for International Federation of the Red Cross/Red Crescent</u> ; <u>support for International Cocoa Initiative</u> ; <u>UTZ Certified</u> ; <u>Fairtrade and Round table on Sustainable Palm Oil</u>

Human rights analysis

Nestlé has been working with the Danish Institute for Human Rights (DIHR) since October 2008, when the DIHR was consulted on the human rights aspects of the Corporate Business Principles revision. In 2009, and in the light of the "Protect, Respect, Remedy" framework of John Ruggie, Special Representative of the UN Secretary General on Business and Human Rights, the DIHR and Nestlé looked into the Company's human rights responsibilities, risks and opportunities. A comprehensive human rights analysis of Nestlé corporate policies and systems across eight functional areas was concluded in November 2009, and is now under discussion.

About our reporting

Our aim is to report on Nestlé's long-term impact on society and how that relates to the creation of a successful long-term business. Starting in 1995 with our *Nestlé and the Environment Report*, we have regularly published reports on environmental matters (see www.nestle.com/csv/downloads).

Since 2001, we have been reporting on matters related to rural development and farmers, employee development, and social and economic development in Latin America and Africa.

In 2007, we issued our first global Creating Shared Value Report, and committed to issuing a similar report every two years, with continuous improvement of reporting as data becomes available. In alternate years, we have reported in more depth on one of our three focus areas: nutrition, water and rural development. These in-depth reviews included the *Nestlé Water Management Report* in 2006 and *Nutritional Needs and Quality Diets* in 2008.

We have continued to develop Creating Shared Value and the way we report on our progress with a focus on key performance indicators and the actions we have taken to address challenges such as malnutrition and obesity, for example.

"Our aim is to report on how Nestlé's activities simultaneously create long-term value for society and for our shareholders."

Our wider Creating Shared Value communications

This summary, and the case studies, audio content, videos and downloads that accompany this online report, are companions to our *Annual Report 2009*, which outlines our overall business and financial performance. Together, they form an integral part of our overall communication on Creating Shared Value performance. In June 2009, we also launched www.creatingsharedvalue.org, a new online community resource.

Future reporting

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

Boundary and scope

The information contained in this report covers Nestlé's global operations for the year ending 31 December 2009 unless otherwise stated, and has been subject to external assurance by an independent third party. Data is provided for Nestlé's wholly owned companies and subsidiaries, excluding joint ventures and suppliers, unless specifically stated. The environmental data refers to factories only, and health and safety figures cover all 278 000 Nestlé employees, as well as the equivalent of approximately 25 000 full-time contractors.

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

Independent assurance statement

To: The Stakeholders of Nestlé S.A.

Introduction

Bureau Veritas UK has been engaged to provide external assurance to the stakeholders of Nestlé S.A. (Nestlé) over the provision of information relating to its Creating Shared Value (CSV) reporting and programmes in the 'Creating Shared Value' section of the Nestlé website (www.nestle.com/csv). The preparation of the content of the CSV section of its website is the sole responsibility of Nestlé.

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

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

Objectives of assurance

The objectives were to:

1. provide reasonable assurance over the stated content within the CSV section of its website for the reporting period; and
2. provide an impartial commentary on the implementation of CSV, its reporting process and associated systems and, where appropriate, propose recommendations for future development.

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

Scope and methodology

The scope of the assurance included:

1. a review of relevant CSV activities undertaken by Nestlé over the reporting period 1 January 2009 to 31 December 2009;
2. a review of information relating to Nestlé's CSV issues, implementation, responses, performance data, case studies and underlying systems to manage relevant information and data; and
3. an evaluation of Safety, Health and Environmental (SHE) data and systems across a sample of global operational sites.



To conduct the assurance we undertook the following:

- verification of performance data and factual information contained within the CSV section of the aforementioned website including an initial review of newly developed KPIs;
- interviews and follow-up communication with 48 key management staff predominantly at Nestlé's Head Office in Vevey, Switzerland;
- review of processes for identification and collation of relevant information, report content and performance data from global Group operations;
- visits (by Bureau Veritas' global auditor network) to nine operational factories spanning eight countries, to evaluate SHE data management, reliability and accuracy;
- a visit to Nestlé Brazil to review the understanding and implementation of CSV policies and related processes presented within the CSV section of the website at a market level, including the door-to-door distribution of Popularly Positioned Products (PPPs); and
- a check of the finalised GRI index table and subsequent referenced information contained within the documents stated within the table.

Opinion

Based on our work, it is our opinion that the CSV section of the website:

- progresses Nestlé's CSV-related reporting with updated responses to some of the key challenges it faces, providing readers with continued understanding and context;
- includes information that is reliable, understandable and clearly presented, and provides a reasonable account of relevant activities and performance over the reporting period on CSV-related activities from across the business;
- presents a continuation of discussions around main issues introduced in previous CSV reporting and as such, does not omit any issues considered to be of material importance; and
- has been prepared in accordance with the GRI Reporting Framework including appropriate consideration of the Reporting Principles and necessary indicators to meet the requirements of GRI Application Level B+.

Understanding and implementation of CSV policies and related processes in Nestlé Brazil

Bureau Veritas undertook an assessment between 23 and 26 February 2010 of the implementation of the CSV strategy and objectives by Nestlé Brazil within its market. This included over 20 interviews with senior managers and other employees in the São Paulo Head Office and the Nescafé manufacturing site in Araras, and a tour of the latter. Nestlé Brazil's door-to-door distribution model of its popularly positioned products was also reviewed, with visits to its micro distributor, independent sales representatives and bottom-of-pyramid consumers.

It is our opinion that Nestlé Brazil has been effectively implementing the CSV strategy, policies and processes for a number of years. In particular, Nestlé Brazil demonstrates a high level of commitment to the three pillars of CSV (nutrition, water and rural development) through its existing Nutrir, Cuidar and Saber programmes. Current good practice could now be further enhanced through more effective measurement of the impacts of such programmes in order to demonstrate true value creation.

Progress and recommendations

- Nestlé continues to provide a balanced account of its present position and performance, in particular through increased explanation of the CSV concept throughout the value chain and its own compliance activities. However, as a key area of stakeholder interest, Nestlé should continue to progress the level and detail of compliance reporting in future cycles.
- Nestlé has further improved clarity in the reporting of its CSV governance, accountability and management structures in its reporting. In particular this has been achieved through additional disclosure over its approach to materiality determination and the newly formed CSV Alignment Board. Looking forward, Nestlé should now demonstrate to stakeholders how these governance mechanisms are used to inspire and empower individual markets towards business decisions aligned with its overall CSV aspirations.
- SHE data reporting continues to be robust and well understood at factory level.
- KPIs have been reviewed for applicability and in some instances new KPIs developed, which better reflect the CSV activities of Nestlé. These KPIs are supported by additional content on the website, demonstrating how key issues are being managed in day-to-day operations.
- Nestlé's increased use of the internet for reporting and communicating CSV concepts and performance (both the CSV section of www.nestle.com and www.creatingsharedvalue.org) is a positive development. Nestlé should develop these platforms towards providing stakeholders with dynamic and 'real-time' reporting of compliance and performance information.
- Nestlé should consider how it could utilise online CSV in the future to effectively demonstrate to stakeholders how it is addressing issues with a significant societal interest across its entire value chain. For example, child labour is an issue associated with many types of agriculture yet Nestlé's current CSV reporting on this issue focuses on activities concerning cocoa initiatives and does not reflect the undertaking of any similar activities across its wider agricultural supply chain.

This opinion has been formed on the basis of, and is subject to, the inherent limitations outlined below in this independent assurance statement. The assurance work was planned and carried out to provide reasonable, rather than absolute, assurance and we believe it provides a reasonable basis for our conclusions.

Limitations and exclusions

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

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

Much of the operating financial data in the CSV section of the website is referenced from Nestlé's Annual Reporting and Accounts, which is separately audited by an external auditor and therefore excluded from the scope of the Bureau Veritas assurance.

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

Statement by Bureau Veritas of independence, impartiality and competence

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

Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff 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 between the other services provided by Bureau Veritas and that of our assurance team.

Our assurance team completing the work for Nestlé has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information, systems, and with over 25 years' combined experience in this field, an excellent understanding of good practice in corporate responsibility reporting and assurance.

Bureau Veritas Solutions
London, February 2010

Reporting performance

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

Our KPIs are also highlighted throughout the report by means of the following icon: ©

We welcome feedback on these KPIs, and how these may be improved to more effectively communicate and to drive progress against our CSV strategy.

2009 highlights

Nutrition

CHF 9963 million

Nestlé Nutrition sales volume

71% of total sales

Products meeting or exceeding
Nutritional Foundation profiling
criteria

7252

Products renovated for nutrition or
health considerations

3950

Popularly Positioned Products (PPPs)

Water and environmental sustainability

85.2 PJ

Direct energy consumption

12.2%

On-site energy generated from
renewable sources

3.98 million tonnes

Direct CO₂ emissions

48%

Reduction of greenhouse gas
emissions per tonne of product
since 2000

59%

Reduction of water withdrawal per
tonne of product since 2000

83%

ISO 14001/OHSAS 18001-certified
factories

58 995 tonnes

Reduction of total packaging
materials weight

Rural development

165 553

Farmers trained through capacity-
building programmes

35%

Markets covered by Sustainable
Agriculture Initiative Nestlé (SAIN)
programmes

77%

Direct procurement markets covered
by SAIN programmes

3864

Suppliers audited for food safety,
quality and processing

165 497

Suppliers who received the Nestlé
Supplier Code

Our people

2.0

Lost time injuries among employees
and contractors (per million hours
worked)

5.1

Total injury rate among employees and
contractors (per million hours worked)

27%

Leadership positions held by women

93 146

Employees receiving formal classroom
training in developing countries

42%

Local Management Committee
members native to country in
developing countries



Key Performance Indicators

Nestlé has developed performance indicators to provide a focus for measuring and reporting Creating Shared Value, sustainability and compliance. The summary below forms part of our communication of progress on the [United Nations Global Compact Principles](#). Unless stated otherwise, performance indicators are for the year ending 31 December 2009.

Creating Shared Value performance indicator	GRI	2008	2009
Economic			
Total Group sales (CHF million)	EC1	109 908	107 618
Net profit (CHF million)	EC1	18 039	10 428
Nutrition			
Nestlé Nutrition sales volume (CHF million)		10 375	9 963
Products meeting or exceeding Nutritional Foundation profiling criteria (as % of total sales) ^(a)		67	71
Renovated products for nutrition or health considerations ^(b)		6254	7252
Products with increase in nutritious ingredients or essential nutrients ^(b)		3068	3878
Products with reduction of sodium, sugars, trans fatty acids, total fat or artificial colourings ^(b)		3186	3374
Products analysed and improved or confirmed via 60/40+ programme (sales volume, CHF billion)		13.6	16.8
Products containing Branded Active Benefits (sales volume, CHF million)		5072	5045
Products featuring <i>Nestlé Nutritional Compass</i> labelling (% of sales worldwide) ^(c)	PR3	98	98
Products in EU with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) ^(d)	PR3	88	91
Nestlé television advertising to children under six in compliance with policies on responsible marketing (%)	(PR7)	NA	99.9
Nestlé contraventions of infant formula marketing requiring remediation ^(e)	PR7		6
Infant formula marketing staff in developing countries trained in the WHO Code (% of staff)		NA	100
Popularly Positioned Product (PPP) SKUs			3950
Popularly Positioned Products (total sales volume, CHF million)		8300	8770
Water and environmental sustainability			
Materials			
Total raw materials used (million tonnes)	EN1	21.43	21.18
Waste and by-products (kg per tonne of product)	EN22	36.9	41.5
By-products for reuse or recovery (as % of total materials used)	EN22	5.2	6.4
Waste for final disposal (as % of total materials used)	EN22	1.9	1.7

Creating Shared Value performance indicator	GRI	2008	2009
Energy			
Direct energy consumption (Peta Joules)	EN3	86.9	85.2
Direct energy consumption (Giga Joules per tonne of product)	EN3	2.12	2.07
Indirect energy consumption (Peta Joules)	EN4	65.3	65.1
On-site energy generated from renewable sources (% of total)	(EN3)	12.6	12.2
Greenhouse gases (GHGs)			
Direct GHG emissions (million tonnes CO ₂ eq)	EN16	4.1	3.98
Direct GHG emissions (kg CO ₂ eq per tonne of product)	EN16	100	96.6
Indirect GHG emissions (million tonnes CO ₂)	EN16	3.00	3.00
Indirect GHG emissions (kg CO ₂ per tonne of product)	EN16	73.1	72.8
Water			
Total water withdrawal (million m ³)	EN8	147	143
Water withdrawal (m ³ per tonne of product)	EN8	3.59	3.47
Total water discharge (million m ³)	EN21	96.1	91.3
Quality of water discharged (average mg COD/l)	EN21	95	91
Safety, health and environment governance			
ISO 14001/OHSAS 18001-certified sites (number of certificates)		455	807
Packaging			
Total packaging materials (million tonnes)		4.00	4.17
Packaging weight reduction (tonnes)		N/A	58 995
Reduction of packaging weight (per l of product) Nestlé Waters over five years (%)		20.0	21.8
Rural development			
Farmers trained through capacity-building programmes		158 837	165 553
Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes (%)		32	35
Direct procurement markets covered by SAIN programmes (%)		71	77
SAIN projects associated with water		3	10
Suppliers			
Suppliers audited for food safety, quality and processing		3417	3864
Suppliers who received the Nestlé Supplier Code		165 000	165 497
Suppliers who acknowledged the Nestlé Supplier Code		120 000	165 497

Creating Shared Value performance indicator

GRI

2008

2009

Our people

Total workforce (number of employees)	(LA1)	282 887	278 165
Key Business Positions		970	1319
Employees with potential to fill Key Business Positions		3919	3922
CARE gaps identified related to Business Integrity and HR		N/A	500
Of which: Minor		N/A	425
Major		N/A	75
Critical		N/A	0
Lost time injuries among employees and contractors (per million hours worked)	LA7	2.8	2.0
Total injury rate among employees and contractors (per million hours worked)	LA7	6.1	5.1
Fatalities of employees and contractors	LA7	13	4
Employees receiving formal classroom training in developing countries	(LA10)	83 928	93 146
Leadership positions held by women (%)	(LA13)	25	27
Local Management Committee members native to country in developing countries (%)		42	42

(a) 2009 assessment scope: 66% total food and beverages sales volume.

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

(c) Excludes petcare and Dreyer's.

(d) Excludes plain coffee, tea and water, products for Nestlé professional, gifting chocolate, petcare and Nestlé Nutrition.

(e) Based on internal and external audits.

Key definitions and notes

- **Direct procurement markets covered by SAIN programmes.** Markets where Nestlé purchases agricultural raw materials directly from farmers and runs Sustainable Agriculture Initiative programmes.
- **Raw and packaging materials.** "Raw materials" are natural resources used for conversion to products and services, such as milk, crops, plants, etc, and do not include packaging materials or water. "Packaging materials" are used in the production and distribution of products, eg bottles, cans, bags, cartons, reusable packaging and packaging with recycled content (Source: Nestlé Definitions of Environment Performance Indicators, March 2008).
- **Direct and indirect energy consumption.** Direct energy consumption is energy consumed by Nestlé on-site, such as natural gas, solar or biomass energy; indirect energy consumption is that used by Nestlé through the purchase of electricity, heat or steam. (Source: Nestlé Definitions of Environment Performance Indicators, March 2008).
- **Direct and indirect greenhouse gas (GHG) emissions.** Direct GHG emissions resulting from on-site processes. Nestlé reporting on direct GHG emissions includes emissions from fuel and refrigerant usage in factories and buildings, but not from owned transportation fleets. Indirect GHG emissions result from the generation of purchased electricity consumed by Nestlé.

Creating Shared Value at Nestlé

About our reporting

Reporting performance

Nutrition

Water and environmental sustainability

Rural development

Our people

Nutrition

Value for Nestlé:

"I run a nutrition programme for the mothers of this pre-school. We address the nutritional requirements of the consumers through products such as Nespray Everyday, which is fortified with vitamin A and aimed at low-income families. We aim to give them a better understanding about nutrition, and to address a main nutritional deficiency in Sri Lanka – vitamin A."

Nadeesha Chandrasekera,
Consumer Services
Manager, NLPLC

Value for society:

"I am really happy that I had the opportunity to participate in this nutrition programme at my child's pre-school. The information we received on general nutrition and its impact on our growing families is very important. It is a good thing for all of us that Nestlé came here to conduct this programme, advising us on how we may provide healthy nutrition to our children. Today, even I was educated in my daughter's school."

Vasanthi Pathiraja (pictured with her daughter Vasitha)

Nutrition

Context

As the world's leading Nutrition, Health and Wellness Company, with total Group sales of CHF 107 618 million, we believe that the future of our Company lies in helping people to eat a healthier diet, whether the problem is deficiency in vitamins and minerals at one end of the spectrum, or obesity at the other. These global challenges influence our initiatives to bring nutrition solutions to all segments of society. Key challenges include how to address those at the base of the income pyramid.

Our goals

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

Our actions

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

Our performance

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

CSV summary:

Value for Nestlé: deeper understanding of nutrition and health issues as well as fruitful collaborations with various stakeholders, both informing our innovation and renovation efforts, brand awareness and recognition; consumer loyalty; long-term enhanced growth, market share and profitability.

Value for society: greater access to safe, high-quality, responsibly produced, nutritious food; greater knowledge of health issues, better understanding of how to use Nestlé products as part of a healthy and enjoyable diet.

Our global research and development network

Nestlé's growth in providing new Nutrition, Health and Wellness solutions to meet consumer needs is based on the world's largest private nutrition R&D network, comprising 28 research, technology and product development centres and more than 5200 employees*.

The Nestlé Research Center (NRC), one of the world's largest private facilities for food, nutrition, health, quality and safety research, is the hub of this network. Its research is transformed into product innovations and processes through Product Technology Centres and R&D Centres, and Nestlé scientists in 280 Application Groups ensure that these are applied locally to meet different consumer needs and preferences.

The formation of a new R&D Sustainability Council was agreed in October 2009 by the Executive Board. The head of the Council, Werner Bauer, also sits on the Creating Shared Value Alignment Board.

New developments

Nestlé invested around CHF 2 billion in research and development last year. This included the opening of the Abidjan Research & Development Centre in Côte d'Ivoire in April 2009 and the CHF 25 million Chocolate Centre of Excellence in Broc, Switzerland, our most recent demonstrations of our commitment to R&D. Through the Nestlé Growth Fund, we have also invested CHF 742 million in promising new Nutrition, Health and Wellness businesses. We also continue to foster innovation partnerships with business partners and have 385 collaborations with universities.



*Food and Beverage R & D

Nestlé Nutrition Institute

For more than 60 years, Nestlé Nutrition has contributed to the continuing nutrition education of scientific and medical professionals, with around 4000 medical delegates providing doctors, nurses and dieticians with relevant material, products and services to help their patients.

The Nestlé Nutrition Institute is the world's largest private publisher of nutritional information, and its website provides access to an online medical and scientific library, educational tools, online workshops and information on forthcoming events. The Nestlé Nutrition Institute site has more than 65 000 registered members who can access increasingly customised information through chat rooms, newsletters and forums. Read more at www.nestlenutrition-institute.org

Nestlé Nutrition Council

The Nestlé Nutrition Council (NNC), which has been in existence for over 30 years, is an independent advisory panel composed of world-renowned nutrition scientists who review current and developing nutrition issues, and advise senior management on their impact on Nestlé's policies and strategy. The NNC has examined issues such as diabetes, childhood obesity, cancer, and nutrition and the brain, and has reviewed Nestlé policies on nutrient fortification and the reduction of public health sensitive ingredients.

At the NNC's annual International Nutrition Symposium, leading experts debate current issues in human health and physiology, and identify future research directions. In October 2009, the sixth Symposium explored the theme of Health Economics, with selected scientists and key opinion leaders discussing the effects of existing health and nutrition policies and government programmes. Read more at www.nestle.com/csv/symposium

Making nutrition the preferred choice

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

This proprietary programme has two objectives:

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

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

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

In 2009, products with a total sales value of CHF 16.8 billion have been tested and improved via the 60/40+ programme where needed as part of the largest nutrition-focused programme in the industry. Comparison with the 2008 figure of CHF 13.6 billion indicates our commitment to a consistent, sustained effort year after year.

Nutritional profiling of our product portfolio

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

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

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

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

Nearly all Nestlé product categories (apart from highly regulated categories such as infant formulas, specific healthcare and performance nutrition products, and products developed by joint ventures) are assessed in this way. In 2009, 87% of all products in our assessment scope (66% of our total food and beverages sales) were analysed against the Nestlé Nutritional Profiling System, and 71% within that scope met or exceeded the required standards[®] and attained the Nestlé Nutritional Foundation status.

Delivering against our nutrition policies

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

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

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

We continually review the nutritional content of our products and optimise their nutritional value where relevant, through new recipe innovation and existing product renovation. While reducing public-health-sensitive components such as salt, sugar and trans fatty acids, we also increase others that might be insufficiently consumed and that are known to be beneficial for health, such as whole grains, vegetables, calcium and vitamin D. In 2009, 7252 products[®] were nutritionally assessed, and 3878 products were renovated or reformulated by increasing the essential nutrients they contain[®], compared to 3068 in 2008.

Branded Active Benefits

In addition to the general nutritional benefits found in food, we offer consumers a variety of products enriched with Branded Active Benefits (BABs). These are ingredients or blends of ingredients providing additional, scientifically proven health benefits.

Pioneering BABs such as BL, *Prebio1* and *Actigen-E* continue to drive the sales growth and innovation pipelines of heritage brands such as NIDO, NAN and MILO respectively. Our latest BAB innovation of 2009, *L Comfortis*, developed by Nestlé Nutrition for its Lactogen formula range, improves gut comfort and overall wellbeing for infants.

The sales of BAB-enriched products continue to enjoy good growth rates, attributable to both their compelling health propositions and the strong performances of Nestlé's flagship brands in Dairy, Beverages and Nutrition. We will continue to strengthen our communication of the benefits of BABs within the context of enhancing our overall brand communication.



Milo, an example of a product enriched with BABs

Micronutrient fortification

While nutritional status has improved worldwide over the past 50 years, new nutrition-related problems have also emerged. Problems of under-nutrition continue to exist in developing countries, while increasing rates of obesity in both developing and developed countries contribute to increasing rates of chronic disease around the world.

Micronutrient deficiencies affect over one-third of the world's population, mainly in developing countries, while another 1.6 billion adults are overweight, with 400 million considered obese. Worldwide, the most common forms of micronutrient malnutrition concern deficiencies in iron (needed for physical and mental development and physical performance), iodine (cognitive development), vitamin A (sight and immunity) and zinc (growth and immunity).

Micronutrient malnutrition has many adverse effects on human health, even at moderate deficiency levels. Ensuring the consumption of a balanced diet is far from achievable on a global scale, and supplementation through vitamin tablets and injections are a short-term response. Fortification of food and beverages offers the most cost-effective solution over the medium to long term, for delivering nutrients to large numbers of people without requiring them to significantly change their food consumption habits.

We use information from local governments and international health authorities to identify the different nutritional "gaps" in order to improve the nutrition value across our portfolio by adding the relevant nutrients and focusing on fortification of foods regularly consumed by the target consumer.

Micronutrient-fortified Nestlé products 2008*

Iron	44 billion servings
Iodine	94 billion servings
Vitamin A	29 billion servings
Zinc	13 billion servings

*2009 data was unavailable from our markets in time for the publication of this report.

Popularly Positioned Products

Nestlé's objective is to provide consumers with nutritious products regardless of where we sell them and for how much. Our 3950 PPPs[®] provide those people at or near the bottom of the income pyramid with affordable food products.

The key to expanding our PPP portfolio is the application of new food and nutrition technology to deliver products that provide nutritional value at a reduced cost and appropriate serving size. A range of locally adapted distribution methods, including street markets, mobile street vendors and door-to-door distributors, not only creates local jobs but improves our market penetration, helping to generate worldwide sales of PPPs to the value of CHF 8770 million in 2009.

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

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

PPP fortification

With a large proportion of the world's emerging consumers suffering the consequences of deficiencies in key micronutrients such as iron, zinc, iodine and vitamin A, fortifying our PPPs with micronutrients can help to address deficiencies where they are most prevalent: among lower-income consumers.

For example, iodine is the most widespread deficient micronutrient in the world affecting 2 billion people. Nestlé sold 600 000 tonnes of iodine-enriched *Maggi* products (bouillons, seasonings and noodles) in 2009, and 19 billion *Maggi* cubes using iodised salt are sold annually in Central West Africa alone, where it appeals to those on low incomes and creates income generation opportunities for vendors.

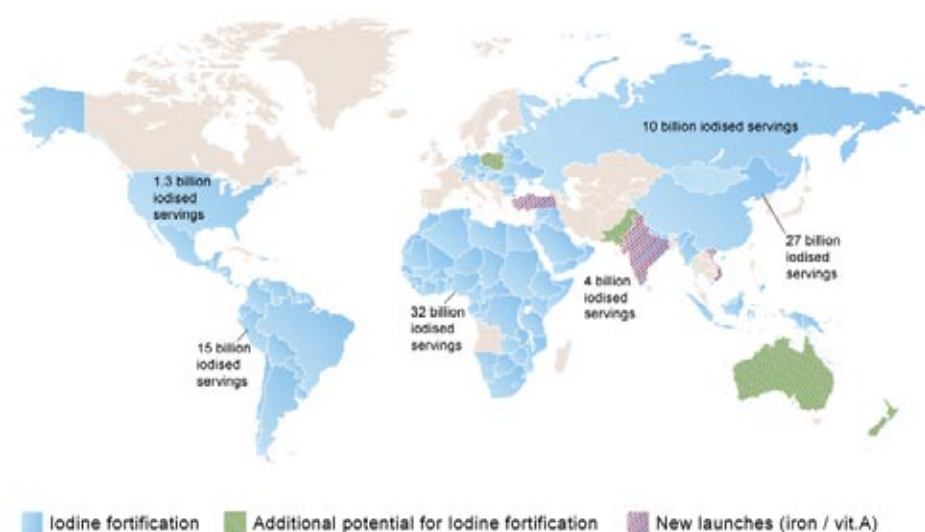
To address other prevalent deficiencies, we have launched a *Maggi* PPP seasoning fortified with iron, vitamin A and iodine in India, as well as a *Maggi* PPP noodle fortified with iron and iodine. Additionally, the standard *Maggi 2-Minute Noodles* have been renovated with added protein and calcium, and made available in a smaller, more affordable PPP pack, while in Vietnam, we have launched a *Maggi* rice topping fortified with iodine and iron.

Developments such as these have brought a 30–40% improvement in market penetration among lower income consumers in the last two years and have been a key factor in the increased distribution of *Maggi* noodles in small towns, supported by advertising that communicates both the health and affordability messages.

Maggi around the world

94% of MAGGI volumes* are fortified with iodine (90 billion servings)

*Bouillons, seasonings, noodles, fixes

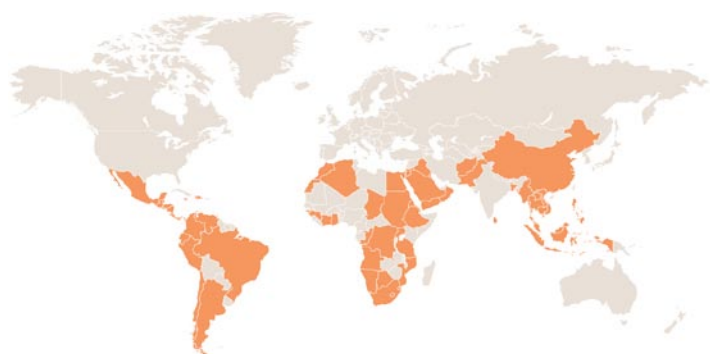


Fortified milk powders

For those on lower incomes, dehydrated milk powders which are naturally rich in many nutrients, but not a good source of others (like iron) are a good carrier of micronutrient fortification. This is another viable, long-term way to deliver nutrients to large segments of the population, without causing changes in food consumption habits.

Nestlé invests CHF 12 million a year directly into research and development for dehydrated and liquid milk-based products, and this know-how is applied in the production of affordable milks for local populations in emerging countries, and fortifying them with relevant micronutrients in each location. At the end of 2006, the affordable milk range – including brands such as *Nido*, *Klim*, *Nespray* and *Ideal* – was present in only 10 countries; by 2008, it had grown to 40 and will be available in more than 60 by the end of 2009, with more launches planned in 2010.

Reach of Nestlé affordable fortified milks (end 2009)



New launches in the first half of 2009 included Central and West Africa (Côte D'Ivoire, Ghana), Southern Africa (South Africa, Namibia, Botswana, Swaziland and Lesotho), Bangladesh, Pakistan, Colombia and Chile, while the Maghreb region of North Africa, Pacific Islands, Singapore, Myanmar and the Caribbean were among those markets where affordable milk was launched in the second half of the year. Annual sales for 2009 reached 80 million tonnes, worth CHF 400 million, which represents a growth rate of 13.8% compared to the previous year.

Meanwhile in the Philippines, Bear Brand launched a powdered milk in 2009 that helps to address local micronutrient deficiencies through iron, zinc, vitamin A and vitamin C fortification. Additionally, it is the only brand in the Philippines with added vitamin C and zinc, both of which are required for normal function of the immune system. The milk is offered in an affordable price (equivalent to CHF 0.20) and is widely available in traditional neighbourhood stores.



In Sri Lanka, *Nespray*, our fortified affordable milk for school children, provides employment in local factories and uses locally sourced milk.

Portion guidance for a balanced diet

Proper portion sizing of products, as well as providing portion recommendations, rank very high in Nestlé's efforts to become the preferred nutritional partner to consumers. Making diets healthier and more balanced may call for reducing portion sizes in some cases, or increasing size or frequency of consumption in others. The correct portion size and consumption frequency are increasingly considered to be a key public health consideration among nutrition stakeholders, as populations worldwide are struggling with rising obesity problems as well as deficient intake of some essential nutrients.

For several years now, Nestlé has been actively working on this important public health priority. Our nutritional profiling system, for example, is based on appropriate portion sizes for the intended consumer, and all criteria thresholds have been established on each product's role in a balanced diet. Guiding consumers about healthier portion sizes has also driven the development and deployment of the Nestlé Nutritional Compass, a unique labelling scheme appearing on the back of 98% of all our packs. This goes beyond basic nutrient declarations, for instance, by outlining ways of balancing the product in the overall diet. We are also examining proper portion sizes in the context of the development of our Popularly Positioned Products (PPPs) to ensure that affordability is achieved with no compromise regarding their nourishing and/or hydrating roles.

A large proportion of Nestlé brands and product ranges already focus precisely on the notion of consuming the appropriate portion: Lean Cuisine, Stouffers, Hot Pockets and Lean Pockets, Davigel foodservice solutions, and all single-serve products in our beverage, soup, toddlers' meals, breakfast cereals, ice cream and confectionery categories make great vehicles for portion guidance. Smaller options in widely distributed chocolate ranges such as *KitKat*, *Nestlé Noir* and *Perugina* also help consumers to better manage their "discretionary calories".

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

Early estimates indicate that additional portion guidance efforts apply to Nestlé products representing sales of at least CHF 21 billion at the end of 2009, which again puts the Company in a leading role in terms of Nutrition, Health and Wellness within the food and beverage industry. This would include products sold as single servings, meeting our rigorous Nutritional Foundation (NF) criteria on all counts (including sodium or fibre, for example), sold with or via a device/equipment delivering a serving which meets all NF criteria, or sold to caregivers with detailed instructions on adjusting servings to evolving nutritional needs. Review of the entire portfolio for thoroughly scoping products with additional portion guidance is currently underway.

In 2008 and 2009, we have accelerated our research initiatives in the area of portion guidance and will continue reaching out to consumers in more and more relevant ways to support their efforts to balance their diets.

Specific nutritional needs: complementary foods for infants

Nestlé's belief is that good nutrition starts with breastfeeding, followed by developmental, stage-appropriate feeding choices, helping infants and young children to grow and develop into healthy adults.

To deliver on that belief, our Start Healthy, Stay Healthy™ stage-based nutrition system includes products designed to foster healthy growth and development and good eating habits at an early age, supported by sound feeding guidance and support services. The system was developed following the 2002 Feeding Infants and Toddlers Study (FITS) commissioned by Gerber – now part of Nestlé – which provided insight into the diets of 3000 US infants and toddlers aged between four and 24 months.

In 2008, Nestlé Nutrition conducted a similar study, The Nestlé FITS 2008, but expanded it to include 3200 US infants, toddlers and pre-schoolers up to four years of age. It examined their eating habits and nutrient intake, provided important information on what foods are eaten as children transition from an all-milk diet to the food of the family, and enabled comparisons with 2002.

The findings suggest that infants are being breastfed for longer, which supports brain, eye and immune system development, and that fewer infants and toddlers are consuming sweets and sweetened beverages. However, it also appears that parents and caregivers need more guidance to meet the unique nutrition needs of growing children; in particular, preschoolers are not consuming enough fruits and vegetables, and are taking in too much saturated fat and sodium.

Through the results of FITS 2008 and by leveraging the expertise of the Nestlé Nutrition Institute, we are furthering our understanding of early childhood eating patterns and providing a road map for future product innovation.

Looking forward, Nestlé remains committed to delivering integrated, science-based nutrition solutions and feeding guidance, and expanding Start Healthy, Stay Healthy™ is an important part of such a commitment. A global rollout will see these services and tools adapted to meet local conditions, tastes and traditions, as well as widen the opportunities for shaping public policy and engaging with the medical community.

"Good nutrition from birth through preschool sets the foundation for healthy habits later in life. The Nestlé FITS provides a rich source of information and we will continue to analyse the data for new insights, sharing and applying our findings to advance the quality of children's diets."

Dr. Kathleen Reidy, Head, Nutrition Science, Meals & Drinks, Nestlé Nutrition

"The 2008 data shows us that more feeding guidance is needed during the transition to table foods. We are seeing eating patterns in toddlers and preschoolers that mirror those of adults – 24% of children aged two to five are overweight or obese in the United States. We need to put more focus on establishing healthy eating patterns during the first four years."

Dr. Nancy Butte, Professor, USDA/ARS Children's Nutrition Research Center, Department of Pediatrics, Baylor College of Medicine

Specific nutritional needs: malnutrition in older people

With the decline in infectious disease and improved medical care, the older population is growing faster than any other segment. Older people have unique nutritional needs, which are often not met due to chronic disease and the ageing process, leading to malnutrition. In Europe alone, the costs associated with the condition are approximately €170 billion, which makes malnutrition a major global healthcare issue.

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

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

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

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

Nestlé Nutrition, with sales worth CHF 9963 million in 2009[®] (2008: CHF 10.4 billion) also offers products specifically designed to meet the nutritional needs of older people. These products help to provide nutrients commonly deficient in their diets and support very common challenges of older people: bone and joint health, muscle strength and recovery from illness. Nestlé Nutrition product solutions designed to support the functionality of older people and enhance their quality of life include *Resource SeniorActiv* and *Nutren Optimum*.

Nutritional information for consumers

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

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

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

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

The GDA table appeared on 91% of our products in Europe in 2009 (2008: 88% of sales)[®] but the CIAA's long-term EU-wide target is 100%.

Nestlé NQ programme for nutrition training

As part of our overall commitment to training and learning, Nestlé's NQ ("Nutrition Quotient") training programme equips our people with the right nutrition skills and insights to make informed choices for themselves and their families.

Employees undertake a general Foundation Module, while those with product development or product communication responsibilities attend further advanced and specialised workshops. Twelve different modules in numerous local versions had already been deployed by the end of 2009, each representing between four to eight hours of learning. More than 121 360 employees around the world have undergone NQ training to date.

To supplement classroom and workshop sessions for the Foundation Module, we deployed an interactive e-learning programme version in 2009; in 2010, we will launch an innovative approach for our hard-to-reach audiences, such as factory-based employees. Since nutrition training is now a continuous effort at Nestlé, follow-up campaigns and tools have been put in place and will be renewed on a regular basis.

Responsible advertising and marketing

Principles concerning appropriate communication with consumers have been part of Nestlé's *Corporate Business Principles* since they were first published in 1999.

Nestlé's wider *Consumer Communication Principles*:

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

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

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

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

99.9%

Nestlé television advertising to children under six in compliance with policies on responsible marketing®.

Advertising to children

Nestlé had, by the end of November 2009, joined eight voluntary industry initiatives covering 34 countries on responsible food and beverages advertising at a national and regional level. The aim of the EU Pledge (across 27 EU Member States) and the initiatives in Canada, United States, Thailand, Australia, South Africa, Brazil and Russia (additional pledges are in the pipeline) is to support and promote good nutrition and a healthy lifestyle. All are subject to independent, third-party compliance monitoring.

Monitoring is an intrinsic part of the various industry pledges and initiatives. Results from the first independent monitoring report of the EU Pledge, a commitment taken by 11 food manufacturers (including Nestlé) to voluntarily restrict their advertising to under 12s in print, on television and online, show a 93% decline in advertising of products that do not meet companies' nutritional criteria in programmes targeted at children. Compliance across the industry was consistently high, but in some markets, Nestlé's own performance was even higher, and in the case of Germany and Italy, 100% compliant (see table on next page).

EU Pledge compliance 2008*

Market	EU compliance	Nestlé compliance
France	99.9%	99.7%
Germany	99.3%	100.0%
Portugal	99.8%	98.9%
Ireland	99.0%	98.1%
Italy	99.8%	100%
Spain	99.2%	99.99%

*2009 data was unavailable from our markets in time for the publication of this report.

Another survey was conducted to assess the compliance by the International Food and Beverage Alliance (IFBA) members – The Coca Cola Company, General Mills, Grupo Bimbo, Kellogg's, Kraft, Mars, Nestlé, PepsiCo and Unilever – with their stated policies on marketing and advertising to children.

The exercise analysed more than 2 million television advertising spots across 12 non-European territories and found an average of 98.17% to be compliant; Nestlé's compliance was comparably high overall (97.98%), and was 100% compliant in five territories. Most of the very few adverts classified as "non-compliant" belong to brands that are targeted to adults and thus comply with our commitment. In addition, no print adverts and only one online product advert were deemed to be non-compliant.

The annual "Advertising monitoring report" of food and non-alcoholic beverages advertising, conducted by The European Advertising Standards Alliance (EASA) and The World Federation of Advertisers (WFA), and based on the International Chamber of Commerce (ICC) Consolidated Code and national self-regulatory criteria, found Nestlé to be 98.1% compliant, compared with an overall rate of 98%.

Of the 105 Nestlé adverts falling within the scope of the monitoring exercise:

- 103 were rated as compliant;
- one was considered to be in breach of the ICC code and the national Greek code;
- and one was deemed to be in breach of the national Dutch code, which requires the stylised image of a toothbrush be shown on snacks and confectionery advertisements.

Responsible Advertising and Children Programme

Nestlé is also a member of the Responsible Advertising and Children Programme, which works with advertisers, agencies and media worldwide to ensure that marketing is sensitive to the needs and concerns of children and families.

"Industry has long held that voluntary action can be more effective in a shorter timeframe than government regulation. This independent data shows how self-regulation can help to deliver on public policy objectives and why it cannot be discounted from the policy mix."

**Stephan Loerke, Managing Director,
World Federation of Advertisers**

Infant food marketing

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

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

- [Infant formula and complementary food labelling](#);
- [Infant formula marketing](#).

Nestlé WHO Code Quality Assurance System

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

Training, testing and compensation on WHO Code knowledge

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

In 2009, 100% of staff involved in infant formula marketing in developing countries received specific WHO Code training[®]; we aim at a 100% coverage in any given year, but this may not always be possible due to employee turnover. During the course of 2010, we will put in place a new web-based training and testing tool so that we can assess the Code knowledge of all Nestlé Nutrition's medical delegates on a continual basis.

Audits

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

Read more about our implementation of the Code at www.babymilk.nestle.com

Education and engagement

We believe that education is the single most powerful tool for ensuring that children understand the value of nutrition and physical activity to their health through the course of their lives. Building on existing Nestlé-sponsored education programmes, which are currently educating 10 million school-age children about nutrition or physical education, the Healthy Kids Global Programme was launched at the Creating Shared Value Forum in New York in April 2009. Nestlé intends to implement Healthy Kids in all countries where it has operations by the end of 2011.

Some of Nestlé's well-established programmes include the following:

- Nestlé has sponsored "Together, Let's Prevent Childhood Obesity" in France since 1992. The EPODE approach involves creating new educational schemes, mobilising local stakeholders and gaining the support of the mayor to empower not only the children but also their families and others local people in a sustainable way. It now extends to 275 cities – 225 in France (EPODE) and 38 in Spain (THAO), which Nestlé supports, as well as 13 in Belgium (VASANO), and most recently, five in Greece (PAIDEATROFI). Nestlé also supports the European EPODE Network, which is supported by the EU Commission and aims to extend and improve the EPODE programme.
- Nestlé Brazil's "Nutrir" programme, established in 1999, teaches good nutrition to low-income children through games, puppets and cooking activities. Since 1999, Nestlé Healthy Kids in Brazil/Nutrir have trained 11 000 educators and reached 1.2 million children in 4000 schools and social organisations. Nutrir has since been successfully adapted by Nestlé in Mexico, Ecuador, Venezuela and Colombia.
- Nestlé Russia's "Good Nutrition" educational programme helps children and teenagers to adopt correct nutrition habits as part of a healthy lifestyle. The programme has reached over 300 000 pre-school and school children every year, and over 2.5 million children in total, since it began in 1999.

New projects in 2009 include a nutrition education programme for 13–17-year-old girls in rural village schools in India, in partnership with the Punjab Agricultural University; and a nutrition education programme in Taiwan aimed at 7–10-year-old children, in partnership with the John Tung Foundation.

Healthy Kids programmes are designed in collaboration with national health authorities, child nutrition experts and/or education authorities, are based on a sound assessment of community needs, and vary according to each country's circumstances. In more developed countries, education will focus on balanced eating and preventing childhood obesity while in developing countries, under-nutrition is the priority, although those markets increasingly face the double burden of both obesity and under-nutrition as well.

For more information about these and other Nestlé's education programmes, visit www.community.nestle.com



Since 1999, Nestlé Brazil's "Nutrir" programme has used games, puppets and cooking activities to teach 1.2 million low-income children about good nutrition.

Zakoura Education Foundation

In 2009, Nestlé strengthened its partnership with the Zakoura Education Foundation in Morocco, which offers school places for children (particularly girls) in underprivileged rural regions. Children are first taught to read and write in Arabic and to count, and later, taught French, while singing and improvised theatre reinforces the children's sense of confidence and enjoyment. We are now planning to expand the literacy programme to include nutrition education, to raise children's awareness of the importance of a balanced and healthy diet, especially as rural Moroccans experience nutritional deficiencies that risk impeding normal development. A pilot is due to start in 2010, in nine schools of the Doukkala region.

Considering its very active role in the European Brand Manufacturer Association (AIM), Nestlé is one of the leading European companies that initiated the AIM Charter on Health and Wellbeing in 2008. *The Contribution of Brands to Health and Well-being in Europe: 2009 Report of Initiatives*, published in 2009, shows Nestlé's substantial contribution to creating value to consumers in the arena of health and wellness.

At a larger scale, Nestlé, through the direct involvement of CEO Paul Bulcke, co-sponsors the health and wellness strategic priority of the Consumer Goods Forum, the global manufacturer and retailer association that covers the fast-moving consumer goods industry.

National nutrition platforms

The importance of diet and nutrition in combating non-communicable diseases and the prevalence of obesity has seen an increased political response at a national level. Nestlé supports a number of comprehensive nutrition platforms and plans, examples of which are outlined below:

- Nestlé collaborates with the Health Promotion Board in Singapore to educate and encourage Singaporeans of all ages and from all walks of life to adopt good eating habits and lifestyle practices so they can lead healthy and happy lives. This is achieved through varied interactive and engaging programmes and activities at relevant forums.
- Working with the Association of Doctors of Nutritional Medicine of University of Indonesia, we have provided refresher training for staff of local health facilities to improve their communication with the community on basic nutrition, balanced diets and healthy lifestyles. So far, 1800 health workers have participated in the training.
- Our mission to "Nourish Malaysia" is consistent with the Group's corporate vision to be the recognised leader in Nutrition, Health and Wellness. One of the initiatives under the programme is to support the Ministry of Health's 10-year National Plan of Action for Nutrition to improve the health status of Malaysians. In turn, Nestlé is Creating Shared Value by investing in innovation and renovation of products to offer consumers healthier and nutritious choices.

Conferences and workshops

Nestlé participates at different global public health nutrition conferences and workshops on an ongoing basis. At these events, we share initiatives to improve our consumers' health and nutrition through exhibits and presentations on product innovation, health, nutrition and development activities in the developing world, and our scientific capabilities.

Our recent participation has included the World Congress on Public Health, Istanbul, Turkey, in April 2009, at which Nestlé sponsored a symposium on how different sectors of society need to work together to implement the WHO Global Strategy on Diet, Physical Activity and Health. Members of government, academia, civil society and the private sector participated in this lively discussion.

Nestlé was then a major sponsor of the International Congress of Nutrition held in Bangkok in October 2009. In a symposium entitled "the Emerging Food and Nutrition Insecurity Crisis: Responses from Multiple Sectors", experts addressed the contribution of different sectors of society to food security, especially at this time of heightened financial insecurity. Speakers included Professor Patrick Webb of Tufts University, Marie Ruel of the International Food Policy Research Institute and Dr. Noel Solomons of the Center for Studies in Sensory Impairment, Ageing and Metabolism, while the industry perspective was presented by Niels Christiansen, Nestlé's Vice-President of Public Affairs.

Brand and consumer communication

Our ambition is to produce food and beverages that are not only tasty and nutritious but also are environmentally responsible and create value for the countries in which we operate. All business units are now encouraged to embed Creating Shared Value and sustainability into their business strategy and consumer communication. These environmental and socio-economic dimensions are of increasing interest to the public and our trade partners, and complement our existing focus on taste and nutrition.

Using brand communications to share our products' sustainability credentials gives consumers yet another reason to trust and enjoy Nestlé products. However, these Creating Shared Value messages have to reflect and enhance the brand's essence, and have to be part of a strategic, long-term approach, not a one-off promotional initiative.

Some Nestlé brands have begun to successfully implement this approach into their business strategies and reflect Creating Shared Value and sustainability more in their consumer communications. They include:

- Häagen-Dazs' support for honey bee research (see next page);
- Nespresso and its [Ecolaboration™ platform](#);
- [Nescafé's sustainability website](#);
- [The Cocoa Plan](#).

Häagen-Dazs loves honey bees

According to the US Department of Agriculture, colony collapse – a decline in the number of bees in their hives – has become increasingly evident since October 2006. Many of the world's crops depend on pollination by bees, so a marked decline could significantly impact agricultural practices and food sourcing. For Häagen-Dazs in particular, vanishing honey bees could make the fruits, nuts and berries used in its ice cream too difficult or costly to source.

In February 2008, a marketing and awareness campaign including on-pack messaging, television commercials, an interactive website and employee education was developed to highlight the plight of the bees. Additional elements included:

- a "plant this page" Newsweek advert, one of the first in the world to be printed on 100% recycled linen paper and embedded with bee-friendly flower seeds for consumers to plant;
- a total donation of US\$500,000, to date, to Penn State and University of California-Davis to help to fund colony collapse research;
- sponsorship of *The Vanishing of the Bees* documentary film.

Hundreds of community groups and organisations contacted Häagen-Dazs with requests for more information and offers of support, and the campaign has earned several distinguished marketing awards.

Water and environmental sustainability

Value for Nestlé:

"By helping suppliers to grow tomatoes using less water, we create shared value for the farmers, for the environment and for our business by ensuring a long-term sustainable supply. CIO was the ideal partner for this project as producing more with less was also its objective."

Benjamin Ware, sourcing specialist, Nestlé

Value for society:

"For many years, CIO's tomato growers have believed and invested in the sustainability and quality of both our products and the environment. Using irrigation with solarpowered technology to monitor soil moisture at root level is only one example. We are pleased to have found a partner like Nestlé to share this approach with us."

Alessandro Piva, Agronomic Service Manager, Consorzio Interregionale Ortofrutticoli (CIO) Cooperative

Water and environmental sustainability

Context

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

Our goals

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

Our actions

We invested over CHF 220 million in environmental sustainability programmes and initiatives during 2009. We continue to identify and implement projects to reduce our use of water, non-renewable energy and other natural resources, to reduce emissions of greenhouse gases (GHGs), to eliminate waste and to improve the environmental performance of our packaging. We also work alongside our suppliers to promote more sustainable practices in our supply chain, including the promotion of water stewardship.

Our performance

We continued to make improvements in our water consumption and CO₂ emissions performance through reduced energy consumption following operational energy efficiency measures and a move towards renewable energy sources. More waste is being diverted from landfill and incinerators without energy recovery. A continued focus on packaging weight reduction remains a priority.

CSV summary:

Value for Nestlé: continuously improving environmental performance; productive factories; reduced risks; reduced costs; long-term availability of raw materials and water; sustainable, profitable growth.

Value for society: raising of environmental standards; higher incomes; better standards of living.

Compliance with sustainable business practices

Environmental management

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

We have made major progress towards our goal of certifying our operations to the internationally recognised standards for environmental management (ISO 14001) and for occupational safety and health management (OHSAS 18001). By year-end 2009, 807 certificates (2008: 455) had been issued[®]; this helps drive our performance and demonstrate compliance.

Our aim is to certify all our factories to both standards by year-end 2010. Having 83% of our factories certified to both standards[®] represents significant progress, and we are encouraging our business partners to apply similar standards.

The Operations Sustainability Council, chaired by Executive Vice President of Operations José Lopez, has met monthly since 2007 and reports into the CSV Alignment Board, as does the Brands and CSV Advisory Group, which guides best practice in communicating our initiatives to consumers.

Driving operational excellence

Internally, we held the second Global Nestlé Safety, Health and Environment (SH&E) Conference in October 2008 at which our commitment to safety, health and environment was integrated into Nestlé Continuous Excellence (NCE), the core of our strategy to drive operational efficiency across the entire value chain. Similar workshops, held in each of our geographic zones during 2009, also integrated both SH&E and Quality Management topics as part of our Nestlé Integrated Management System, one of the foundation modules of NCE.

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

- *Excelling in compliance*: this includes complying with legal and mandatory requirements at all times; and certifying our operations to ISO 14001 and OHSAS 18001 standards;
- *Delighting our consumers*: Creating Shared Value and sustainability are increasingly becoming a driver for product development, and sharing our aims and achievements with consumers through brand communications and product claims;
- *Driving competitive advantage*: for example, making progress towards our ambitions for zero waste and zero accidents, and improving water efficiency and energy efficiency.

More details on NCE and operational efficiency can be found in Our people.

Engagement and leadership

We believe that it is our responsibility not only to engage with authorities and key stakeholders about our SH&E performance, but also to take a leadership role. Our Director of Environmental Sustainability Pascal Gréverath has been elected as the Chairman of the Environment Committee of the Confederation of the Food and Drink Industries (CIAA) in the European Union. Together with our Executive Vice-President Operations & GLOBE, he has played a key role in the creation of the European Food Sustainable Consumption and Production Round Table, which he co-chairs.

Environmental sustainability: a life cycle approach

To optimise the environmental performance of our products, we not only consider the environmental impacts of our manufacturing operations but also those associated with the other steps in the value chain. We therefore apply a life cycle approach, systematically assessing our product categories from farm to fork and beyond.

We have been conducting Life Cycle Assessments (LCAs) to determine the environmental impacts of our major product categories including their packaging. This process, which considers production of agricultural raw materials, animal husbandry, processing, packaging, transportation, distribution, consumption and end-of-life, enables us to identify the risks and opportunities beyond our factories, and to work with our stakeholders to define and implement improvements.

For example, the LCA of *Nescafé Classic* and a comparison with alternatives (drip filter and capsule espresso), as published in the *Journal of Cleaner Production*, found that approximately 50% of environmental impact occurs during the use phase. The study showed that overall, *Nescafé Classic* uses less energy and has a lower environmental footprint than drip filter coffee or capsule espresso coffee, particularly during the cultivation, treatment and delivery stages as it requires less green coffee per cup than for one cup of the two alternatives.

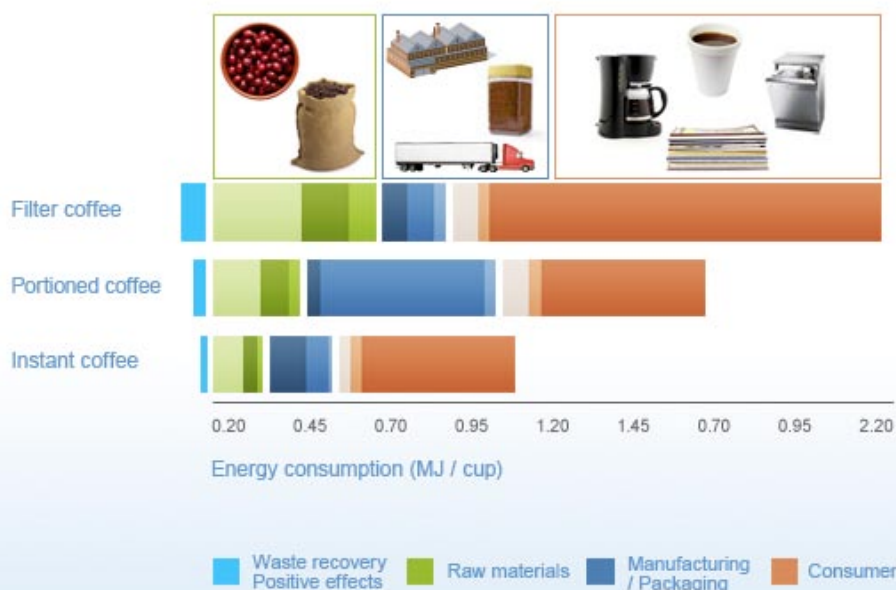
The study resulted in four recommendations:

- raise consumers' awareness regarding ways to improve efficiency during use, such as not boiling more water than is actually needed;
- promote lower-impact green coffee production methods, such as limiting the use of fertilisers;
- optimise energy consumption when processing;
- rethink packaging, eg by using lighter weight jars.

For example, if consumers only boiled the required amount of water for each of the 4100 cups of *Nescafé* consumed each second, this would save twice the energy consumed by all *Nescafé* factories over the course of a year.

Implementing these recommendations will help consumers to lower their own, individual “environmental footprints of eating (and drinking)”. Our ambition is to further assist consumers of our other products in reducing their own environmental footprints through continuing to quantify the environmental impacts of our products and identifying ways in which we, our broader supply chain and our consumers can contribute to reducing these impacts.

Environmental Life Cycle Assessment of Coffee



We use the results of such LCAs internally in our R&D processes, and share some of them with the scientific community to further improve reliability in sustainability assessment methods.

Water: the global context

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

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

"Global drying"

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

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

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

Public policy engagement and collective action

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

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

Nestlé will use these findings in our public policy dialogue, with the aim that they have a major impact, both on national and regional water policies and on our own efforts.

As a founding signatory of the CEO Water Mandate, an initiative led by the United Nations Global Compact, we are committed to improving and regularly reporting our efforts in these areas, and played an active role in the last three World Water Weeks in Stockholm, at which experts, practitioners, decision-makers and leaders from around the globe exchange ideas, foster new thinking and develop innovative solutions. Nestlé also works with the Swiss Development Agency and a consortium of Swiss companies in Colombia to assess their water footprints, has helped to put water high on the agenda of the World Economic Forum and is a member of the Water Footprint Network.

Closer to home, world-renowned water experts sit on our [CSV Advisory Board](#) and starting in 2010, the [Nestlé Prize in Creating Shared Value](#) will honour innovative solutions to improve rural development, nutrition, access to clean water or water management.

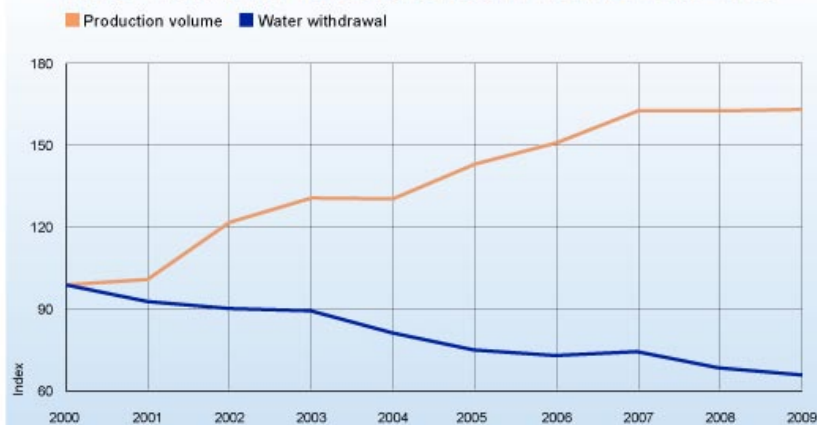
Our performance: direct operations

Nestlé aims to be the most efficient water user among food manufacturers. In 2009, the Company withdrew 143 million m³ of water[®], – a decrease of more than 3.2% compared to 2008. This equates to 3.47 m³ per tonne of product[®], 3.5% down on the 2008 level or 3.8% when adjusted for constant production volume; the difference coming from changes in product mix evolving towards products with more added value, and from acquisitions and divestitures.

As shown in the graph below, Nestlé has reduced its water withdrawal by 33% since 2000, while our food and beverage production volume increased by 63%. This reflects:

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

Water withdrawal versus production volume, 2000-2009*



*Relative to index 2000 Source: Nestlé

Our total water withdrawal rate has been improving over recent years as a result of both extensive efforts by Nestlé engineers, environmental professionals and our employees to reduce water consumption in our operations, and the changing product mix within Nestlé's portfolio.

Our goal is to reduce consumption on a comparable basis by a further 10–15% over the next five years and we plan to develop more sophisticated and localised metrics for this important area.

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

Global freshwater consumption

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

While being the world's leading bottled water company, Nestlé Waters only uses 0.0009% of the world's total withdrawn water (see table above). More than half of that total goes directly into our 64 bottled water brands – the rest is used for operational processes and cleaning – and the amount of additional water needed to produce a litre of bottled water is now 0.68 litres, 38 less than in 2004.

Water Resources Review

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

To date, the WRR has been conducted at 65 Nestlé Waters sites – more than half of its total bottled water facilities – and is now being rolled out to our food factories, where its deployment will enable the risks and key issues in local water resources management to be identified, and specific action plans towards sustainable water use to be established. Sites are being prioritised by their position in our Water Stress Index, which in turn is based on external indicators of water poverty, watershed stress and internal local indicators.

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

Water treatment

Because good water quality in the areas surrounding our plants has direct benefits for our business, society and the environment all our water is treated in wastewater treatment plants. Our preference is to use municipal wastewater plants to ensure we return only cleaned water back into the environment, but where these are insufficient, we invest in our own on-site facilities (approximately 292 to date, including our latest in Tema, Ghana). We remove 97% of the organic load of the water leaving our factories before it is returned to the environment. In 2009, we discharged 91.34 million m³ of water[®], a decrease of more than 5% on 2008, with an average level of organic load of 91 mg COD/l[®] (Chemical Oxygen Demand per litre). During 2009, we have reviewed this KPI and have determined that figures for previous years were underreported.

Our Chachoengsao factory in Thailand, for example, was designed around a minimum water withdrawal and near zero discharge concept. This limits the discharge of cleaned wastewater to a small amount of saline water into the ocean (around 40m³ a month with approximately 20% salt content), and the remaining water is treated before being used to irrigate our own land.

Supply chain and watershed management

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

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

Beyond strict monitoring and compliance, we engage in specific water preservation activities with local stakeholders, depending on the local situation and needs. In Nestlé Waters Henniez, Switzerland, for example, water has been used sustainably for bottling since 1905 and for 15 years work has been done with local stakeholders on the implementation of land use practices that respect the environment and local water resources. Water used for bottling operations is collected only from existing springs, where hydrogeological modelling and water resources monitoring are used to track groundwater stability. This is already implemented across three-quarters of the recharge area.

Under the framework of the Sustainable Agriculture Initiative (SAI), a collaborative, food industry-led group promoting the development of sustainable agriculture worldwide, the members of its Water and Agriculture Working Group, including



The wastewater treatment plant at our Bugalagrande factory in Colombia, one of our 292 worldwide facilities.

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

José Lopez, Executive Vice President of Operations, Nestlé

Nestlé, are developing online resources through which to share best practice and helping to develop the methodology for water footprinting in agriculture.

These resources will be tested and refined through several projects, including a six-month pilot project with the International Water Management Institute (IWMI) to study the water footprint of milk and other local crops in Punjab, India. Largely due to local over-exploitation by agriculture, industry and domestic use, the local water table is dropping by up to a metre a year and could affect the supply of milk in our Moga milk district, from which we buy 1.25 million litres a day from 100 000 farmers. Measures already in place include the recent Punjab Preservation of Subsoil Water Act, which promotes water conservation by delaying rice paddy transplantation, changing crop rotation patterns and encouraging less water-intensive crop species.

Nestlé is currently working with the IWMI to identify key areas where local initiatives for better water management in agriculture could be developed.

Community engagement in water projects

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

For instance:

- we have worked with Aquasure and the French Red Cross in a pilot programme to bring safe drinking water to villages in Senegal;
- in Cambodia, Nestlé Nordic and the Cambodian and Danish Red Cross organisations have helped locals to build eight wells, providing clean drinking water for 1000 people, and educated them about good hygiene and sanitation;
- in partnership with the International Federation of the Red Cross/Red Crescent and the Ivorian Red Cross, we have been active in the Participatory Hygiene and Sanitary Transformation (PHAST) project, helping to rehabilitate deep-well pumps and provide new toilet blocks for up to 50 000 people in Côte d'Ivoire;
- Nestlé Waters supports Project WET, an education programme that promotes water awareness among millions of children around the world.

Optimising water use and productivity

In the Piacenza and Parma region of Italy, in recent years, water has become scarcer, especially during the summer. Nestlé Italia decided to engage more closely with its tomato suppliers, to secure its supply of tomatoes and significantly reduce the amount of fresh water used for irrigation. The three-year project with Consorzio Interregionale Ortofrutticoli, a cooperative of tomato farmers, aims to maximise tomato production and optimise irrigation in 10 pilot farms with differing soil conditions, by using solar-powered CropSense Soil Moisture Monitoring technology. Data at root level is collected daily and used to provide the exact amount of water needed to optimise crop revenue and water use.

Data collection will continue into 2011, and additional farmers are already keen to join the project based on the initial results: yields have nearly doubled, the tomato quality (sugar content) increased by 15% and the water used to produce one tonne of tomatoes fell by 45%.



Nestlé's partnership with the International Water Management Institute is helping to map water use in the agricultural supply chain in Punjab, India.



Women in Aboisso, Côte d'Ivoire, use a washroom provided by our partnership with the International Federation of Red Cross/Red Crescent and the Ivorian Red Cross to improve hygiene and sanitation.

Climate change

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

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

- in our own directly controlled operations;
- by helping those in our supply chain, mainly through Nestlé's Sustainable Agriculture Initiative;
- by helping our consumers, through innovative solutions such as *Nespresso* and *Dolce Gusto* energy-saving machines, to achieve similar reductions.

Our ultimate ambition is to offer products with the lowest environmental impact compared to alternative products including those made in the home.

Our performance

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

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

Our energy efficiency efforts also translate into carbon reductions, though historically, we have reduced carbon more than energy due to a number of our factories switching to cleaner fossil fuels such as natural gas, and also renewable sources of energy. We plan to further decouple energy consumption and carbon emissions in the future. These efforts have led to a reduction in our direct greenhouse gas emissions[®] by 3.1% from 2008 levels to 3.98 million tonnes of CO₂eq, or 96.57 kg of CO₂eq per tonne of product[®]. This equates to a 0.74 million tonne (16%) reduction, or a 48% reduction per tonne of production, in the 10 years from 2000, during which our production volume increased by 63%[®].

Our indirect CO₂ emissions from purchased energy remained stable at 3.0 million tonnes compared to 2008[®].



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

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

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

Partnerships on climate change

In addition to initiatives such as the Sustainable Agriculture Initiative of the Food Industry (SAI-Platform), through which members engage with their suppliers and help them to improve their environmental performance, we also share our strategy and results through participation in the Carbon Disclosure Project (CDP) since its creation. This forms part of our ongoing effort to enable our performance to be made transparent and drive further improvements.

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

Ahead of global negotiations about climate change held in Copenhagen in December 2009, The Prince of Wales’ Corporate Leaders Group on Climate Change published a short statement calling for an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crises facing the world today.

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

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

The Communiqué, launched at the UN General Assembly Climate Summit in New York City in September, was signed by Nestlé's Chief Executive Officer Paul Bulcke. The statement calls for a global greenhouse gas emissions cap and countries to develop long-term reduction plans for 2013–2050 with interim targets.

Nestlé is also a strategic partner of the University of Cambridge Programme for Sustainability Leadership, which, through seminars, working groups and other programmes, helps business, government and civil society to understand and address critical global issues such as climate change, biodiversity loss and resource depletion.

The consequence of using increasingly scarce or non-renewable natural resources is not necessarily to consume less, but to consume "smarter" by avoiding wasting food first (see below). As meat can require 5–10 times more water per calorie than vegetables to produce, a further option is to eat more plant-based food.

The Better Sugarcane Initiative

We are assessing the latest research and initiatives to reduce the significant use of water needed for sugar production. AIM-PROGRESS, of which Nestlé is a member, is a forum of consumer goods companies assembled to enable and promote responsible sourcing practices and sustainable production systems. It is a global initiative, supported and sponsored by the European Brands Association and the American Grocery Manufacturers Association, which is working together with the WWF – and with others in the sugar supply chain – to assess areas of risk to the sustainability of the sugar cane.

A pilot project in Mexico will use the principles developed by the Better Sugarcane Initiative (BSI), a voluntary non-profit organisation committed to improving the social, environmental and economic sustainability of sugar cane production. These principles cover production and resource efficiencies, respect for the environment, reduced emissions to air and water, and biodiversity management.

Transport and distribution

As part of our efforts to reduce emissions associated with the vehicles we operate, we have instigated a project to reduce the environmental impact of our fleet of passenger cars and light commercial vehicles. Our initial focus has been on our European operations, which currently cover 44% of our worldwide fleet of such cars (14 000 vehicles).

Through this “green fleet” scheme, which was awarded second prize in the International Green Fleet Award 2009 in November, we have reduced CO₂ emissions by 17% from 167 g/km per vehicle as at end 2007 to 158 g/km in mid-2009, against a target of 130 g/km by the end of 2012. This has come through supplier rationalisation (a shortlist of fewer car manufacturers and lease partners) and amendments to tender policies to ensure choices are restricted to the best cost/engine size/emissions combinations. In parallel, a safe driver training programme will focus on economical driving techniques and road safety.

Other green fleet initiatives, with local cultural and financial adaptations, are also being instigated in other regions, with policy decisions to be made at a local level. In North America, our green fleet initiative is expected to decrease CO₂ emissions as much as 15% through restricting choice and limiting engine size, while in Mexico, Brazil and Asia-Pacific, opportunities are currently being evaluated and recommendations submitted to senior management. Operating units are also being encouraged to consider the use of pool cars and, whenever possible, vehicles fuelled by alternative energy sources.

Intermodal transport solutions

Overall transport accounts for approximately 20% of global CO₂ emissions. As part of the Nestlé Waters transport policy to reduce the effect of our transport on the environment, we aim to use alternative transport modes wherever possible. In our French and Belgian market, for instance 50% of the bottles leaving our factories in 2008 were transported by train or “ferroustage” (an intermodal combination of truck and train, depending on the railway network available). The bottles are placed in containers which in turn are placed on specially adapted wagons. With 60 000 fewer trucks on the roads, our French business saved 12 million litres of fuel and reduced transport-related greenhouse gas emissions by a third in 2008.

After Nestlé Waters Germany put the distribution of its German supply of San Pellegrino sparkling water – 3200 trucks a year – out to tender in March 2009, a third of the volume was shifted to an intermodal (road and rail) solution. Operations started in May and are expected to reduce CO₂ emissions by approximately 2000 tonnes a year.

Sustainable distribution in action

Over the last two years, our US ice-cream business Dreyer's has undertaken a number of sustainable distribution initiatives to decrease the impact of its operations on the environment. By maximising the number of cases carried per truck, and using APAL load technology in three of its largest manufacturing facilities to maximise trailer container weight and maintain even weight distribution, Dreyer's has saved 1558 shipments, 1177 million miles and 136 000 tonnes of carbon. A pilot regional backhauling scheme, avoiding "empty miles" by carrying freight on return journeys for other Nestlé brands in the United States, aims to achieve savings of 624 shipments, 97 240 miles and 143 tonnes of CO₂.

A commitment to local manufacturing

Our general principle is to manufacture, where possible, in countries from which we source commodities. About half of our 449 factories are in the developing world, primarily located in rural areas. Sourcing and manufacturing locally provides both direct and indirect income and employment opportunities to local people and helps reduce transport-related environmental impacts for local consumption.

Our major industrial investments in developing countries during 2009 were:

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

Improving our energy efficiency

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

Nestlé aims at becoming the most efficient energy user among food manufacturers, and in 2009, consumed 85.2PJ energy[®], which equates to 2.07 GJ per tonne of product[®], down 2.3% on the 2008 figure. On a constant production volume (adjusted) basis, this ratio remains unchanged. Indirect energy consumption, through the purchase of electricity, heat and steam, was 65.1PJ in 2009 (2008: 65.3PJ).

Since 2000, Nestlé has reduced its energy consumption by 7% while increasing its production volume by 63%. This reflects:

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

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

Energy-saving equipment

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

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

In June 2009, the Nestlé Pure Life bottling plant in Breinigsville, Pennsylvania, became the first Nestlé Waters North America (NWN) site to be Gold LEED (Leadership in Energy and Environmental Design) certified by the US Green Building Council. This testifies that the plant has implemented appropriate strategies in sustainable site development, water savings through high-efficiency water fixtures, energy efficiency and materials selection; for example, 75% of project construction waste is recycled.

All nine NWN facilities and plants extensions have now achieved LEED certification, and all future bottling facilities are intended to be LEED certified.

Renewable energy

In addition to operational efficiency improvements and energy-saving equipment, we will continue to explore the industrial feasibility of switching to more renewable energy sources to reduce our CO₂ emissions and our reliance on fossil fuels; 12.2% of our total on-site energy use has come from renewable sources.

A number of projects have come on-stream in 2009 that will increase our overall proportion of energy derived from renewable resources. For example, a landfill gas project at Solon, Ohio, USA, captures methane from a local landfill site and uses it as an energy source.

Meanwhile, at our Bugalagrande factory in Colombia, the installation of our latest spent coffee grounds-fueled boiler allows the recovery of energy from this biomass. This renewable fuel provides 13% of the total energy required in the factory and has 95% lower CO₂ emissions than the fossil fuel it replaces. Nestlé has been implementing this type of technology for the last 30 years, and of our 27 coffee factories where spent grounds are a by-product, 21 are equipped with such technology.

We are also planning to replace the boiler at Nestlé France's facilities in Challerange with a wood-fired boiler. The project will result in an 85% reduction in the factory's CO₂ footprint, and save an estimated €9 million over 10 years. The timing will also allow us to benefit from government subsidies available for renewable energy schemes, which will cover 40% of the cost of the project. The wood supply plan has been approved by the local authorities and is considered to be fully compatible with local wood resources management. As Challerange is a key site for the supply of quality creamer for Nescafé Dolce Gusto, this project will be a further opportunity for us to communicate about sustainability through our brands.

The move towards renewable energy

In recognition of the intertwined issues of environment and cost associated with energy, our strategic approach is to reduce non-renewable energy use and switch to renewable energy sources where we can.

At Nestlé Purina PetCare's Denver plant, for instance, energy use has been cut by 12.4% per tonne of product during the last five years by installing a new energy-efficient boiler, switching to more energy-efficient lighting, improving compressed air and steam systems, and developing best practice guidelines to streamline its operations.

But in addition to such energy-reduction efforts, it can now also boast Colorado's largest, privately owned solar-panel installation. A 476-panel system covering about 21 000 square feet now occupies the plant's roof, and generates a further 1% of the plant's electricity needs. Thanks to the success of this pilot project, we are now exploring the viability of similar solar panels at plants in Arizona and California.

Similarly, Nestlé Italy will install photovoltaic panels at two of its factories – Ferentino (ice cream) and San Sisto (chocolate) – to produce 550 000 kWh of electricity, equivalent to 1.4% of its annual energy demands.



Jorge Eliecer Rojas, the mayor, meets Miguel Ángel Figueroa, the managing director of our factory in Bugalagrande, Colombia, which derives 13% of its energy from spent coffee grounds.

"This makes Nestlé Purina the first manufacturer to use solar energy directly in the production of pet food. As a company, we're making a commitment that we'll continue to investigate opportunities to preserve our communities where we live and work."

Tom Plymell, operations performance manager, Nestlé Purina PetCare – Denver



In addition to improving energy efficiency at its Denver factory, Nestlé Purina Petcare now generates 1% of its electricity needs from solar power.

Waste and recovery of by-products

Eliminating waste in our own operations is an important priority for Nestlé as part of our commitment to reduce consumption of natural resources and to reduce food wastage along the value chain. Our goal is zero waste and full recovery of unavoidable by-products. Through Nestlé Continuous Excellence (NCE) our factories reduced waste by 11.4% and increased reuse or recovery of by-products by 23.5% in 2009. This amounts to 1.35 million tonnes of by-products (6.4% of total material used) sent for reuse or recovery and only 0.36 million tonnes (1.7% of total material used) for disposal in landfills or incineration without heat recovery.

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

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

Valorising surplus food

For many years, Nestlé has supported Feeding America and its member food banks through donations of surplus food, technical assistance and financial contributions. But this response is not restricted to the United States.

In the UK, for example, Nestlé has assisted FareShare, a national charity that redistributes in-date surplus food to homeless and vulnerable people, since 2005, supplying surplus food, providing logistics assistance and supporting its “Eat Well Live Well” education programme. Last year, 220 tonnes of surplus Nestlé food went to disadvantaged people through FareShare.

In other locations, Nestlé has:

- provided financial support and 6000 tonnes of surplus food to Food Banks Canada over the last 10 years;
- donated 800 tonnes of food to AMBA, Mexico’s food bank network, in the last four years, and set up an employee volunteering programme;
- been instrumental in setting up a fledgling food bank system in South Africa;
- begun exploring ways to build on the success of a foodbank partnership with church organisations in Bogotá, Colombia, in other cities across Latin America
- donated some 377 tonnes of food products to Foodbank Australia in 2008, bringing our total food donations since 2004 to 3500 tonnes.

Optimising packaging

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

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

- reducing the weight and volume of packaging materials;
- leading in the development and use of packaging materials made from sustainably managed renewable resources such as bioplastics;
- aligning with and supporting initiatives to recycle or recover energy from used packaging, and helping to inform consumers through the use of accepted material identification and recycling symbols, and by encouraging consumers to recycle where programmes are available;
- using recycled materials wherever it makes sense.

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

Nestlé used 4.17 million tonnes of packaging materials in 2009[©], an increase of 4% largely due to increased sales and production volumes. Continuing reductions in packaging material through our source reduction programme saved 58 995 tonnes of packaging material by weight[©], worth CHF 82 million.

For example, Nestlé UK became the first major confectionery company in the country to replace non-recyclable plastic with recyclable cardboard packaging in most of its 20 million Easter eggs. As one of many recent initiatives to meet its target to reduce packaging by 10% by 2010, against a 2006 baseline, Nestlé UK used at least 30% less packaging in its small and medium Easter eggs, saving over 700 tonnes of packaging materials.

Similarly Nestlé Waters reduced the volume of packaging material used per litre of bottled water. A best-in-class example occurs in the United States, where Nestlé Waters North America introduced the Eco-Shape lightweight bottle in 2007.

By the end of 2009, we estimate that it will have saved more than 195 million pounds of resin and helped to avoid more than 356 000 million tonnes of CO₂eq emissions (the equivalent of taking 78 000 cars off the roads for an entire year). Further reductions in the Eco-Shape bottle and cap are scheduled for 2010.

However, weight is not the only factor; improvements in packaging environmental performance are also relevant, and our packaging eco-design tool can assist in the selection of the most appropriate packaging for many products.



Nestlé Waters' ReSource bottles, made with 25% recycled PET, are sold, collected and recycled through a joint initiative with Whole Foods and Waste Management in California.

Encouraging plastic bottle recycling

PET (polyethylene terephthalate) is a common material used for water and soft drinks packaging; in addition to protecting the beverage from production to consumption, it is a lightweight and recyclable material. However, the level of collection and recycling, and the relevant recycling infrastructure available, varies considerably between countries and regions. In addition to contributing to a number of collection systems, we have an important role to play in terms of raising awareness among consumers about their role in collecting bottles for recycling.

On World Water Day (22 March) in 2009, Nestlé Waters China launched PET Bottle Recycling Action, a nationwide campaign to raise consumer awareness about recycling PET bottles and encourage them to play their part.

The campaign has three different aspects:

- The Nestlé Waters China website has been updated to offer general information on the environment and the importance of recycling. The site also features cartoons and games designed to educate the public on environmental issues, and reward membership with raffles to win prizes made of recycled PET (such as T-shirts and even a bicycle). Consumers were invited to participate via leaflets on bottles, flyers and posters.
- An in-store promotion in supermarkets across three cities – Beijing, Shanghai and Nanjing – rewarded consumers buying *Nestlé Pure Life* or *Nestlé Deep Spring* with products made from recycled PET.
- A press release attracted coverage through more than 50 different target media, and more coverage is expected.

In Sicily, Acqua Nestlé Vera and Corepla (a consortium supporting plastic recycling) organised a 27-town educational tour and campaign to encourage the recycling of PET plastic. This involved events engaging children and their parents in educational games promoting the importance of water and the need to recycle plastic bottles. With more than 4000 children and a similar number of adults attending, the intention was to widen consumers' understanding of the important part they can play in ensuring plastic beverage bottles are recycled. Nestlé Waters Italy is currently considering the roll-out of this initiative next year.

Meanwhile, in Pakistan, Nestlé has sponsored a study by the WWF-Pakistan and the National University of Sciences & Technology into the fate of used PET bottles in three major cities.

Creating Shared
Value at Nestlé

About our
reporting

Reporting
performance

Nutrition

Water and environmental
sustainability

Rural
development

Our people

Rural development

Value for Nestlé:

"Before I joined the programme, everything was more difficult, but today, when I look at myself and my family, I am certain the future is brighter. This is because of the advice given by *Nespresso* and the higher price we are paid for our coffee. Coffee is now a valuable asset – it's my asset, an asset for my community and for our country..."

Leticia Monzon de Herrera,
farmer

Value for society:

"Coffee producers participate in the *Nespresso* AAA Program, not just because a price based on quality motivates them to make positive changes in their farms, but also because we are here on site, helping them to improve their social and environmental conditions, offering a better future for their families and their communities."

Juan Diego Roman,
Nespresso AAA Program
Manager for Central America

Rural development

Context

Agriculture employs over one-third of the world's working population and three-quarters of the world's poor people live in rural areas. Nestlé spends approximately CHF 20.4 billion a year on raw materials, and works directly with approximately 540 000 farmers to help them to increase their productivity, protect the environment and climb out of poverty. About 3.4 million people in developing countries earn their livelihoods from our supply chain, so we can have a positive long-term impact on economic and environmental development and standards of living, sometimes helping entire regions to increase agricultural productivity and economic performance. Sourcing in ways that minimise impact on climate change and long-standing social issues such as child labour in the rural sector are among the challenges we face.

Our goals

The wellbeing of the communities from which we draw our agricultural raw materials and local labour is vital to our success as a business and to our shareholder value. Through rural development, providing local employment and encouraging sustainable production practices, as well as purchasing directly from small-scale suppliers and intermediaries, we not only seek to protect the supply and quality of our raw materials, but also to have a positive, long-term impact on the local economy and standards of living of rural people.

Our actions

In 2009, we supported 165 553 direct suppliers through technical assistance and knowledge transfer, and provided microfinance loans totaling CHF 48 million, and ensured they operate responsibly and sustainably through the Nestlé Supplier Code. Our rural development principle is to manufacture, wherever possible, in countries from which we source commodities; today, about half our 449 manufacturing plants are in the developing world, primarily in rural areas and directly provide local employment to over 200 000 people. We also actively participate in Multi-stakeholder initiatives to promote best practice.

Our performance

During the year, we enhanced our approach to supplier development and farmer training and developed more Sustainable Agriculture Initiative Nestlé (SAIN) initiatives, which were coupled with the ongoing communication of, and assessment against, our Supplier Code of Conduct. We also consolidated our support for the cocoa industry under The Cocoa Plan, committed CHF 460 million to coffee and cocoa plant science and sustainable initiatives over the next decade and developed our policy on palm oil.

CSV summary:

Value for Nestlé: More secure supply of better-quality raw materials; lower procurement costs; consumer preference for our products; profitable growth.

Value for society: Advice and technical assistance; greater yields; higher quality crops; lower resource use; increased income; wider employment and economic development opportunities; consumers aware our products are safe, of high quality and produced using sustainable practices.

Rural development

Nestlé factories are major engines for rural development and new environmental standards around the world, especially in developing countries. Our principle is to manufacture, where possible, in countries from which we source commodities, and today, about half of our 449 factories are in the developing world, primarily located in rural areas.

Our 950 agronomists and 15 036 extension workers and contractors offer support, training and technical assistance, and maintain ongoing dialogue with farmers, governments and NGO partners, adapting our approach to suit different countries around the world. This contributes to poverty reduction and improved nutrition on a large scale, and creates significant, long-term business success.

165 553 farmers around the world were trained through Nestlé capacity-building programmes in 2009[®]. This 4% increase from the 158 387 trained in 2008 was mainly due to the increase in sourcing from cooperatives instead of directly from farmers in some countries. There are no conditions attached to the technical assistance and advice we give, and the 540 000 farmers who currently supply Nestlé directly are not obliged to do so.

However, over the long term, we aim to increase the training we provide to farmers, and continue to provide microfinance loans, which totalled CHF 48 million in 2009.

Managing supplier relationships

With short supply chains based on local sourcing, manufacture and consumption, we are able to secure the sourcing of high-quality raw materials, reduce distribution costs and produce reasonably priced products that meet consumer preferences and Nestlé's highest quality requirements.

About half of Nestlé's production facilities are located in emerging markets, with more than 200 000 people being directly employed by them and a total of 3.4 million people earning their livelihoods from our supply chain; many are located close to agricultural suppliers in rural areas, acting as catalysts for rural development and, in many cases, supporting our Popularly Positioned Products (PPP) initiative.

Nestlé Supplier Code

To foster good business practices within our supply chain, our Nestlé Supplier Code, introduced in 2008, has been communicated to 165 497 suppliers; at field level, where farmers are also considered to be suppliers, 82.3% of collection and buying stations displayed the Code. Supplier events to foster awareness of our requirements were held in Poland, Turkey and West Africa. All suppliers were screened through our internal risk assessment to identify suppliers with a high-risk potential. Out of this group, pilot suppliers have been selected that completed a self-assessment questionnaire and were assessed through a third-party audit. Our methodology proved to be effective and will be extended to a larger supplier base in 2010.

Nestlé continues to expand the Sustainable Agriculture Initiative Nestlé (SAIN), launched to promote sustainable agriculture, at a market level, and now covers 35 markets[©] across Asia, Latin America and Africa (2008: 32), and 89% of our 39 direct procurement markets (2008: 71%)[©]. The overall goal is to cover all direct procurement markets by 2015. Reflecting the importance of water as a key pillar of the initiative, 10 SAIN projects, including tomato growing in Italy, were associated with water issues, up from three the year before[©].

Multi-stakeholder programmes

We have direct contact with over half a million farmers, and also try to leverage our impact by working with other major players in rural development, such as the Sustainable Agriculture Initiative of the Food Industry (SAI-Platform) we co-founded, together with Danone and Unilever, in 2002. Today, its 27 members aim to encourage use of sustainable agricultural practices at field level in 30+ countries through six working groups (cereals, coffee, dairy, fruit, potatoes and vegetables, and water and agriculture).

As a member of AIM, the European Brands Association, we worked with major other consumer goods companies to improve efficiency and effectiveness of supplier assessments.

Supplier development

Engaging in closer relationships with suppliers has proven to be an excellent way of contributing to Nestlé's Creating Shared Value model through upgrading supplier's knowledge and capacity in order to secure adequate local sourcing of ingredients to Nestlé. Specifically, supplier development activities and teams help local suppliers to reach Nestlé specifications and minimum requirements to conclude new business partnerships.

Among many social benefits, it improves cost-efficiency by sourcing locally, eliminates waste in transport, increases flexibility of supply by eliminating intermediaries, removes dependence on a single international supplier and speeds up the resolution of food safety and quality issues to ultimately develop new reliable sources of raw materials for Nestlé factories.

Suppliers being developed by Nestlé supplier development teams or activities are also creating more local jobs and thus buying more agricultural raw materials from local farmers. This supports the development of the local economy and the improvement of living standards for the community. Therefore, supplier development is an important mechanism of delivering the Creating Shared Value concept.

Supplier development in India

India is the world's largest producer of milk, spices, pulses and tea, and its local agriculture is protected through high import barriers. Aware of the need and opportunity to source more raw materials locally, Nestlé India established a dedicated supplier development department in 2005. The team's objectives were to achieve cost savings by relying less on imports, overcoming quality and food safety issues, and creating a wider, more flexible supply base.

After four years, the team has managed to:

- secure local sources of 12 previously imported raw materials;
- avoid 10 single supplier situations;
- develop over 70 new Indian suppliers able to meet Nestlé's specifications;
- save CHF 5 million;
- provide technical assistance to suppliers to close safety and quality gaps;
- speed up the building of infrastructure and access to better technology for suppliers.

One successful example of supplier development in India is with suppliers of corn flakes for infant cereals, which need to have a dry-mix quality within specific microbiological limits because they do not undergo any additional processing or heat treatment. The only supplier in Asia approved by Nestlé was a single Indian supplier that had experienced occasional quality issues. The search for alternative suppliers began in 2005, and after an exhaustive series of audits, assessments and laboratory tests, our new supplier, KCL, began commercial production of corn flakes for Nestlé in November 2008.

Supplier development has also given suppliers new opportunities for expanding their reach, including exports to other Nestlé markets. For example, local chicory supplies from Uttar Pradesh are now sent in large quantities to Nestlé South Africa, while exports to Nestlé Europe and Korea are also being explored. By the end of 2009, this highly successful initiative had also been replicated in Bangladesh, Brazil, Indonesia, Iran, Malaysia, Russia and South Africa.



Nestlé's supplier development programme in India has reduced the reliance on expensive imports. Over 70 new local suppliers are now able to meet our specifications.

Sourcing profile

Nearly 40% of our raw materials expenditure goes towards the procurement of three key commodities – milk, coffee and cocoa – as detailed below.

	2008	2009
Milk	12.36 million tonnes	12.18 million tonnes
Coffee	0.78 million tonnes	0.78 million tonnes
Cocoa	0.37 million tonnes	0.35 million tonnes

Other

Fruit, vegetables and cereals partly sourced directly from farmers;
Sugar, oil, meat, spices and other ingredients sourced through trade

Milk

In terms of sales value, Nestlé is the world's largest milk company, and sources over 12 million tonnes of fresh milk equivalent from more than 30 countries.

Our approach involves the widespread use of our milk district model, which dates back to the 1870s. We currently purchase 5 million tonnes directly from farmers in this way, which helps to ensure greater access to market and a fair price for them. It also provides Nestlé with a regular supply of high-quality milk so that we continue to meet consumer demand.

Local communities also benefit from local collection, storage and transportation facilities, training provided by Nestlé agronomists and field technicians, a range of quality control systems and financial support through microfinance loans, as well as further local employment opportunities at our factories.

East African Dairy Development

The Rift Valley in Kenya, as well as South West and North West Uganda, have good natural conditions for milk production in terms of climate, rainfall, vegetation and livestock, and the farmers in these regions have a long tradition in animal husbandry. Milk is a key element in the local diet and represents the major cash income for many farmers. Through the East African Dairy Development (EADD), dairy farmer cooperatives with large milk chilling facilities have been set up to supply milk for the processing industry.



The Village Women Dairy Development Programme in Punjab, India, focuses on advising female dairy farmers on efficient water usage and other agricultural practices.

This partnership is a new one, and one that is still evolving. For example, based on field visits in May 2009, Nestlé recommended that the milk collection system be simplified and, in particular, that smaller milk chillers are used. This has many advantages:

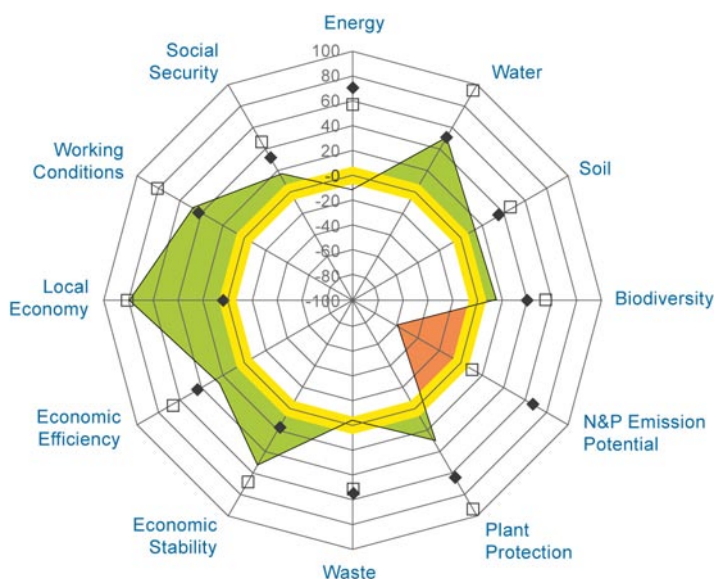
- it reduces the number of farmers needed to make any one chilling centre viable;
- they can be placed closer to the farmers, thereby reducing the time from milking to chilling and improving milk quality;
- milk can be poured directly into the tank rather than being pumped;
- the tanks can be cleaned easily by one person with a brush and soap;
- the need for expensive third-party contractors to transport the collected milk is reduced.

Nestlé also intends to provide assistance with waste water management, share best practice from other countries and has recommended replacing payments based purely on the volume of milk received with payments based on its quality, and especially its fat and solid non-fat content.

We are also collaborating with two local milk processors in Kenya and in Uganda to improve quality standards at their milk dryer facilities, as we intend to source locally produced milk powder for our factory in Kenya, to be sold to consumers.

Assessing sustainability at farm level

A study into the sustainability of dairy farming at farm level was conducted by the Swiss College of Agriculture from January to May 2009. Thirty dairy farms in Mexico, and 61 in China, all of which supply Nestlé, were selected to be assessed by the RISE (Response-Inducing Sustainability Evaluation) tool. Data covering 58 parameters was evaluated, condensed into 12 indicators and presented as "sustainability polygons" (see example below) for more visual evaluation, before being shared with farmers, field officers and Nestlé representatives.



Farm performance proved to be highly variable. For each aspect of sustainability, some farms have found a sustainable solution, but only a few can be deemed “sustainable” in all regards. The results, which are intended for integration into a wider sustainability framework, have to be carefully interpreted and conclusions translated into information of use to farmers and into actions for tackling sustainability deficits.

Methane mitigation

Up to a third of total methane emissions are estimated to come from agriculture, of which 90% comes from digestive fermentation in livestock. The two principal strategies to mitigate this dilemma are to ensure the livestock’s productivity is optimised through improved animal health, diet and nutrition, and fermentation is reduced through improving the digestibility of forage.

Nestlé is working towards greater sustainability by limiting greenhouse gas emissions through the use of such techniques at a farm level. Because we do not own farms, our degree of control is limited but to foster good practice within our sphere of influence, these techniques are summarised in *Climate Change and Sustainable Agriculture*, a new best practices manual that has been sent out to sourcing managers and for dissemination to farmers.

Coffee

The coffee supply chain is extremely complex, with 80% of farmers operating as smallholders. Around 25 million smallholders depend directly on coffee farming for their livelihoods, and a further 100 million people are involved in the industry as a whole.

In 2009, Nestlé purchased 780 000 tonnes of green coffee, from 25 markets. More than 93 700 tonnes was procured directly from farmers and small-scale intermediaries in Vietnam, Thailand, China, Indonesia, the Philippines, Côte d’Ivoire and Mexico; this represents an increase of 9% from 2008, and makes us the world’s largest direct purchaser.

We currently purchase 10% of the coffee beans used in *Nescafé* through direct procurement, but through a greater focus on direct procurement, we will double this by 2015 (approximately 160 000 tonnes a year).

Our approach

Our direct buying system allows tens of thousands of farmers and intermediaries to deliver coffee directly to our buying stations, giving them a higher price and access to free technical assistance. This helps them to improve the quality of their yields and to diversify their activities, giving them higher incomes and helping Nestlé to secure a sustainable supply. Over the last 10 years, Nestlé has supported the training of 100 000 cocoa and coffee farmers, and aims to support the training of a further 130 000 farmers over the next 10.

Nestlé will also invest a minimum of CHF 460 million in its plant science and sustainability initiatives for coffee and cocoa by 2020, CHF 350 million of which will be spent on coffee. This builds on the CHF 200 million invested in coffee over the past 15 years.

Our strategy is now being communicated in a consolidated, strategic way to consumers through a new sustainability website (www.nescafe.com/sustainability). Read more about our [brand and consumer communications](#).

Sustainable coffee platforms

Nestlé is a co-founder of two international sustainable coffee platforms to coordinate non-competitive, multi-stakeholder action:

- Through the Coffee Working Group of the *Sustainable Agriculture Initiative of the Food Industry (SAI-Platform)*, Nestlé has been involved in three sustainable coffee pilot projects.
- As one of the founding members of *The Common Code for the Coffee Community (4C) Association*, we follow a voluntary code of conduct to improve efficiency, profitability, transparency and sustainability in the production, processing and trading of coffee through training and verification.

Nestlé is also involved with other significant sustainable coffee verification and certification schemes, such as Fairtrade, UTZ Certified and Rainforest Alliance.

In addition, only the top 1–2% of the world's green coffee crop meets the specific taste and aroma profiles and the demanding quality standards of *Nespresso*. Over the last six years, we have worked with the Rainforest Alliance to develop the *Nespresso AAA Sustainable Quality™ Program* of integrated coffee farm management practices, ensuring compliance with quality and sustainability guidelines. The programme encourages farmers to adopt best practice in sustainability, requiring certification to the Sustainable Agriculture Network (Rainforest Alliance) standard and leading to the crop qualities required for *Nespresso Grands Crus*. In 2009, almost 50% of the total green coffee beans *Nespresso* purchased came from farms in the AAA Sustainable Quality™ Program, and the Company has committed to increase this to 80% by 2013.

All these projects are supported by Nestlé's R&D network, including a centre dedicated to the industrial applications of plant science in Tours, France.



At a Nestlé Experimental Farm in Ecuador, agronomists Eduardo Eusebio Pérez Chuez and Luisa Marillac Trujillo examine cocoa trees developed at our R&D centre in Tours, France.

SAI-Platform projects

- **ECOM in Central America:** Nestlé and the International Finance Corporation – part of the World Bank – each committed US\$250 000 a year for three years to a project coordinated by ECOM and supported by the Rainforest Alliance to strengthen the supply chain for sustainable coffee in Central America. Growers are receiving technical assistance to meet AAA, Fairtrade and 4C standards, and Nestlé UK is purchasing their coffee for use in Partners' Blend. This project will end in April 2010.
- **NKG in Vietnam:** Since 2005, Nestlé has been helping to improve agricultural practices and raise awareness about sustainable coffee production in Vietnam. In particular, water use for irrigation was halved, the use of fertilisers reduced, and both the quality of the coffee and the accurate measurement of production costs improved. This project ran until December 2009.
- **Volcafé in Guatemala:** Nestlé has invested US\$290 000 in a sustainable coffee project with Volcafé, set up in 2004 in Guatemala. This has brought many benefits, including filters for safe drinking water, the building of two classrooms, wood-burning stoves with chimneys (to reduce the incidence of burns and lung disease, with about 60% less wood used), the control of soil erosion and technical assistance by an agronomist from Volcafé's local subsidiary to improve farming practices. This project ended in September 2008.

In addition, Nestlé has been engaged in a partnership with ECOM, IDE (an American NGO) and the Rainforest Alliance to install low-cost micro-irrigation technologies in Nicaragua and Honduras. Coffee is usually not irrigated but drip irrigation has been shown to increase yield, speed up plant growth and improve coffee quality, giving the growers access to certified quality coffee markets.

Cocoa

Cocoa, the main ingredient of chocolate, is grown in small, family-run farms often in remote locations. Cocoa farming provides an income to more than 4.5 million farmers, a third of whom live in West Africa. However, cocoa supply is becoming increasingly critical. Low prices have caused a lack of investment in the sector, resulting in declining cocoa quality, worldwide supply deficits and small farms with ageing trees that are vulnerable to disease.

We are building on the work we have been doing ourselves and that we have supported, and rolling it out into our supply chain. We are calling this "The Cocoa Plan" to help to explain this package of measures to consumers.

Visit [The Cocoa Plan](http://www.nestle.com/csv) website for more information.

The Cocoa Plan

Our vision is to help to professionalise cocoa farming, so that cocoa farmers run profitable farms, respect the environment, have a good quality of life and their children benefit from education. The Cocoa Plan is Nestlé's way of helping to tackle key issues facing cocoa farmers, their families and communities to create a better future for cocoa farming.

The Cocoa Plan – already active in the world's largest cocoa origin, Côte d'Ivoire, and the world's largest fine cocoa origins, Ecuador and Venezuela – covers the following aspects:

- **Overall investment:** Nestlé intends to invest CHF 110 million on cocoa creating shared value initiatives over the next decade, almost twice as much as was spent over the past 15 years (CHF 60 million).
- **Helping farmers:** We are training farmers in Ecuador and Côte d'Ivoire to help them to increase yields, reduce disease, respect the environment and produce a better-quality crop which attracts higher prices.
- **Plant expertise:** As part of a wider remit, our new R&D Centre in Abidjan, Côte d'Ivoire (where more than 40% of the world's cocoa originates) will provide farmers with 1 million high-potential cocoa trees each year from 2012. The Centre's programmes will focus on improving the quality and quantity of locally sourced raw materials, developing products that meet the nutritional needs and tastes of West African consumers, and helping to increase both agricultural productivity and food safety. We are also training plant scientists in accelerated propagation techniques in other cocoa-producing countries. Over the past 15 years, Nestlé has provided 17 million coffee and cocoa tree plantlets to producer countries, and over the next decade, we will provide at least 38 million more. These develop into high-yield, disease-tolerant trees providing farmers with a foundation for increased farm productivity and potential income. Although results vary, studies show Nestlé-produced trees can achieve an increase in productivity of 50%–200%. The protection and propagation of superior "fine cocoa" varieties for use in our premium chocolate brands is also ongoing in Ecuador and Venezuela.
- **The supply chain:** By working closely with farming cooperatives and paying a premium for quality, we aim to reduce the complexity of the supply chain, improve returns to farmers and improve the quality of cocoa for Nestlé.
- **Better social conditions:** Cocoa farming is the major employer, the main source of income and the focus of activity for millions of people. But many cocoa communities do not enjoy clean water or access to education, and as a result, labour practices on cocoa farms are not always what they should be. We will work to improve access to education, water and sanitation. As a founding participant in the International Cocoa Initiative (ICI), set up specifically to eradicate the worst forms of child labour, Nestlé and other industry players are improving access to education and addressing all forms of exploitation of children, forced labour and its underlying causes. We are partnering with the International Federation of The Red Cross/Red Crescent to fund a clean water and sanitation project in schools in the Gagnoa region of Côte d'Ivoire.

The Cocoa Plan continued

- **Working with partners:** In addition to supporting the ICI, we:
 - co-founded The World Cocoa Foundation (WCF) to deal with issues such as ineffective farming techniques and poor environmental management. By the end of 2010, some 340 000 children will have benefited from WCF-supported education programmes and 8800 teachers will have been trained;
 - partner government organisations such as the Centre National Ivoirien de Recherche Agronomique to improve the sustainability of cocoa farming;
 - co-founded the UTZ Certified Cocoa programme;
 - support industry-wide organisations such as The Sustainable Tree Crops Programme, which has increased income by over 20% for nearly 80 000 West African families through farmer training. They also learn about HIV/AIDS and malaria prevention.

Fish

As a producer of fish-based products, including pet food, Nestlé shares the widespread concern about the sustainability of the world's marine wildlife. Although the quantity we use is small in relation to the global production of fish and fish-based products, we are strengthening our efforts, alongside our suppliers, to promote sustainable fishery practices and to improve the traceability of our supplies. To ensure the fish we use comes from a sustainable source and has been caught using responsible methods, we have developed a new [Sustainable Fishing Policy](#).

Palm oil

Palm oil is not a major raw ingredient for us – Nestlé uses 320 000 metric tonnes of the world's global production of 42 million metric tonnes – but we share the concern about the serious environmental threat to rainforests and peat fields in South East Asia caused by the planting of palm oil plantations, and remain keen to participate in effective multi-stakeholder solutions to this complex problem.

We only buy processed palm oil and processed oil mixes, which often come from multiple sources. We do not use crude palm oil and we have no direct link to the plantations. This makes traceability harder, but we have still undertaken an in-depth review of our supply chain to establish the source of all our palm oil and have committed to using only Certified Sustainable Palm Oil (CSPO) by 2015, when sufficient quantities are expected to be available.

Nestlé has been closely associated with the Round table on Sustainable Palm Oil (RSPO) since its inception and recently joined the organisation. According to *The Nestlé Policy on Environmental Sustainability*, we give preference to suppliers that continuously strive towards improving the efficiency and sustainability of their operations and use of resources, and encourage them to join the RSPO.

Palm oil is also used as a material from which biofuels are produced, and Nestlé has repeatedly spoken out against the production of such materials for fuel rather than food.

Our people

Value for Nestlé:

"I would like to develop my career in Nestlé, and it is encouraging to see that the management is committed to diversity, and particularly gender balance. I feel reassured that support programmes are in place and that I can get advice from my mentor."

**Kaori Murata, employee,
Nestlé Japan**

Value for society:

"I believe high-performing organisations require environments where each employee can contribute with their own unique character, and where their abilities are fully developed and utilised. As the leader of the Women & Leadership Taskforce, I focus on ensuring an environment where women – currently a minority group in Nestlé in Japan – can work with flexibility, a long-term perspective, and pride."

**Kaori Hanks, manager
and leader of the Women
& Leadership Taskforce,
Nestlé Japan**

Our people

Context

Thanks to the dedication and efforts of our employees, every day we make a difference to the lives of many consumers around the world. Nestlé has a strong corporate culture which unites more than 278 000 people® working in more than 100 countries. Over a third (33.9%) of our workforce is located in Europe, 38% in the Americas and 28.1% in Asia, Oceania and Africa. During the global financial crisis, we have made every effort to focus on sustainability and stability, and ensure we have appropriate human resources for both our current and future needs.

Our goals

Long-term investments in training and professional development give our people better job opportunities and higher incomes, and provide Nestlé with the skilled workforce we need. Our overriding principle is that each employee should have the opportunities and support they need to fulfil their potential in a safe and fair workplace where they are listened to and valued, and where diversity and equality are respected.

Our actions

Through compliance with Nestlé principles and continuous improvements in environmental and occupational health and safety management, we continue to develop a global and diverse Nestlé. Our ethical and responsible workplace culture has contributed to measures that increase employee engagement and their health and wellbeing, reduce workplace accidents and plan for future business needs through attraction, succession planning and training and development opportunities at all levels of our business.

Our performance

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

CSV summary:

Value for Nestlé: Skilled and motivated workforce; improved performance; superior business results; sustainable growth.

Value for society: Employment opportunities; potential for a better standard of living; opportunities for self-development; higher workplace safety standards.

Operational efficiency

Nestlé Continuous Excellence (NCE), the core of our strategy to drive operational efficiency throughout our business, aims to engage and empower all employees in a “zero defect, zero waste” mentality across our value chain. The programme shares best practice for manufacturing, leadership, people development, succession planning and performance management, and has seen the integration of several hundred operational standards in our factories.

By increasing the responsibility levels and skill sets of our employees, we have been able to reduce accidents, waste, unplanned stoppages, quality defects and consumer complaints, and improve productivity. For example, NCE has helped our Nanjangud factory in India, where we produce instant coffee and health beverages, to reduce laminate waste by 35% and powder waste by 87%; reduce shift-end cleaning times by 44%; increase mean time between operational failures by 68%; reduce minor operation stoppages by 25%; and improve line performance by 8%.

Health and safety performance

The Nestlé Occupational Health and Safety Management System reinforces our commitment to a “zero accident” culture, while our efforts towards certifying all our factories against OHSAS 18001 will help to create a common standard for health and safety in our operations.

Our compliance with our Corporate Business Principles (see www.nestle.com/csv/downloads) and with local laws regarding health and safety is also assessed by our independent audit programme CARE, which covers the areas of human resources, safety and health, business integrity and environment. Read more about health and safety in our manufacturing operations below.

Managing health and safety

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

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

Our continuously updated Nestlé Safety Management System, together with modern tracking and analysis tools, constant management focus, supporting further progress through a factory manager coaching programme and external verification enabled us to reduce our Lost Time Injury Frequency Rate (LTIFR) among employees and contractors to 2.0 lost time injuries per million hours worked in 2009[®]. This reflects a 29% reduction from last year (2.8) and an 86% reduction since 2000. However lost time injuries still translated into 37 229 workdays lost.

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

Paulo Silveira Ivo, Bureau Veritas, Brazil



At the Nestlé Lanka Kurunagala factory, employees undergoing health and safety training are instructed how to use a safety harness correctly.

As this rate approaches a sector-leading level, we are increasingly focused on the prevention of all types of injuries, helping to improve our Total Recordable Injury Rate from 6.1 injuries per million hours worked by employees and contractors in 2008 to 5.1[®].

Nestlé intends to become one of the leaders in workplace safety. On our journey to zero injuries our objective is to reach the milestone of less than one lost time accident per million hours worked by 2012.

190 factories ended 2009 without any lost time injuries, compared to 139 factories the previous year. In Pakistan, for example, 10 million working hours without lost time injuries were completed at the Sheikhpura factory, while employees and construction contractors at the Kejayan factory in Indonesia completed 5 million hours without lost time injuries.

To help protect our people and those we work with, safe driving programmes have been implemented in most countries; Nestlé also extends these programmes to contractors, such as those involved in milk collection in Brazil and Pakistan, making an important contribution to the safety of all road users, whether they work for Nestlé or are otherwise impacted by Nestlé's transport operations. Although reliable data is difficult to obtain, Nestlé has now implemented a system for collecting safe driving data from contractors, which we plan to improve in the next few years.

Despite all continuous efforts, we deeply regret four fatalities in 2009 due to accidents while at work[®]. Three involved employees – of which two were traffic accidents and one involved a contractor in a factory. We continuously strive towards the only acceptable aspiration: zero accidents.

A fair workplace

The framework that guides employee relationships within Nestlé, including issues regarding human rights, diversity and equality, is laid down in our *Corporate Business Principles* and our Human Resources Policy. Our Business Principles reflect both the Company's commitment to long-term successful business development and the necessity to improve short-term results. They create the foundation for Creating Shared Value, linking the ambition to meet the needs of consumers and shareholders with the commitment to respect people and the environment.

It is our policy to abide by national laws in all countries in which we have operations and to comply with the Fundamental Conventions of the International Labour Organization (ILO). Throughout our global operations, we also endorse voluntary self-regulation, including the International Chamber of Commerce (ICC) Business Charter for Sustainable Development, the OECD Guidelines for Multinational Enterprises and the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance. In Colombia, we are part of the Guidelines for Colombia process, a local adaptation of the Voluntary Principles on Security and Human Rights, which involves companies, NGOs, trade unions and government.

We support the UN Global Compact's human rights and labour principles, joined the UN Global Compact's Human Rights Working Group in 2009, and we will join its more informal Labour Working Group in 2010. We also work with the Danish Institute for Human Rights and have just concluded a human rights gap analysis of our corporate policies and systems.

Compliance with sustainable business practices

Our support for such conventions, and compliance with local laws, is monitored through our CARE (**C**ompliance **A**ssessment of Human **R**esources, Occupational Health & Safety, **E**nvironment and Business Integrity) audit programme. This uses three independent external certification bodies to assess our commitment to socially responsible and environmentally sustainable business practices in four areas: occupational health and safety, labour standards, business integrity and the environment. More than 950 audits have now been conducted since CARE was piloted in 2005, with 435 audits taking place in 2009.

During 2009, 1668 gaps were identified; 85% were minor (isolated, non-repetitive) gaps, 15% were major (systematic, repetitive) gaps and none were critical gaps requiring immediate remedial action®.

We aim to extend CARE to all Nestlé employees and all sites owned or operated by Nestlé by the end of 2010, and investigate those areas where we find systematic recurrent gaps.

Workplace relations

Nestlé is not just committed to the relevant International Labour Organization (ILO) Conventions, international standards and initiatives through its *Corporate Business Principles* as mentioned above, but also works permanently to improve the level of awareness and to ensure compliance with those standards throughout the Company.

In several countries, Nestlé further developed local business practices fostering improved relationships with employees and unions. For example:

- in the Philippines, HR managers and union officers are trained on ILO Conventions;
- in Colombia, all employees receive training on the Nestlé *Corporate Business Principles*;
- in Europe, the first level of management meets regularly with the local unions and the International Union of Food to exchange information and discuss workplace matters.

Even with such strong commitments and hard work from our local managements, Nestlé has faced a number of challenges and clearly sees opportunities for improvement. Therefore, to make further progress, a new team was created at the corporate level in 2009, whose task it is to both educate employees about the *Corporate Business Principles* throughout the Company and to ensure compliance via the CARE programme. In addition, this team is presently reviewing Nestlé's workplace policies and systems, and will deploy a new Employee Relations Policy in 2010.

"Throughout the CARE programme, we have built up the optimum working environment by minimising the risk factors relating to working activities in four areas – health and safety, labour standards, business integrity and environment. The programme also helped us to improve our systems for documenting, measuring and evaluating other issues in advance."

Sungjin Hong, Employee Relations, South Korea



At sites such as the Nanjangud factory in India, employee empowerment programmes have contributed to improved health and wellbeing, and better training and development opportunities.

Gender balance

Nestlé's success and culture are built on strong, multicultural diversity, and we believe that this critical competitive advantage can be leveraged further. In 2008, we launched a worldwide initiative to accelerate gender balance, a key to the future success of our Company. The objective is to guarantee that Nestlé provides the environment, culture and leadership to achieve a more balanced gender mix, which optimises the talents of both men and women.

The first steps have focused on leadership teams around the world, to create awareness and provide management with the necessary background and best practice guidance to increase gender balance. Some key human resources processes have also been reviewed. In 2009, 27% of all leadership positions (people with management responsibilities) across our global operations are held by women[®], up slightly from 25% in 2008, but significantly improving this balance is a lengthy culture change process that will take several years to realise.

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

"Improving the gender balance is absolutely necessary for our ability to survive and succeed as a company. Experience shows that building awareness, especially for managers, is a critical first step of this long journey. Therefore, starting with the top management, we have rolled out a series of 'Gender Balance Awareness' workshops to better understand the business case and ensure alignment throughout the organisation. This is our business imperative."

Chris Johnson, Chairman and CEO, Nestlé Japan Ltd.

Training and learning

To build the capabilities required for future business success and ensure Nestlé people have the right understanding, skills and behaviours to perform their jobs effectively, we offer a wide range of training actions at local, regional and global level, including on-the-job training, e-learning programmes and class-based tuition. During 2009, 93 146 employees from developing countries received formal classroom training[®], compared to 83 928 in 2008. This figure includes the 42 931 employees who undertook classroom training as part of our Nutrition Quotient nutrition training programme.

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

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

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

Employee mentoring

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

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

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

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

Succession planning

We need to maintain a global pipeline of talented people who can help us keep our competitive advantage and meet business needs. In 2009, changes in our talent assessment and succession planning processes and definitions reflected a move towards more focus and ownership, resulting in fewer Corporate Key Positions but more Zone and Business Key Positions. The overall number of key positions increased from 970 in 2008 to 1319 in 2009 but the number filled through succession planning cannot be calculated due to the change in technology used to monitor this data; this will be reported in 2010.

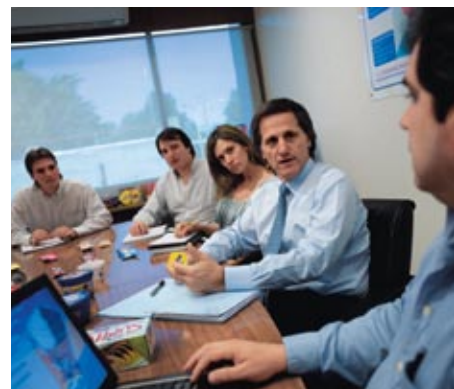
International career development

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

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

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

At the end of 2009, Local Management Committee members native to country in developing countries represent 42% of local management®.



A local leader, Pablo Devoto, Country Manager of Nestlé Argentina, meets employees from the ice-cream business at the El Talar factory in Buenos Aires.

Developing a local presence

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

A business graduate of the University of Chile, he gained an MBA from IMD in Lausanne, Switzerland before joining Nestlé in 1975, marketing frozen food. After a period at Nestlé Dominicana, he returned to Chile as Marketing Director for Ice Cream, before managing the Chilled and Frozen business and then becoming Refrigerated & Ice Cream Division Manager. After three years in Argentina as President and Head of Argentina, Uruguay and Paraguay, he returned to Chile in 2002 as Head of the Austral American Region, covering six markets, and also became Executive President of Nestlé Chile.

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

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

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

Employee engagement

To help create an effective and efficient working environment, we listen and respond to the views of our employees, and to enhance our efforts in this area, we have relaunched the Nestlé & I global employee survey. All Nestlé people, at all levels of the business, will be invited to participate by the end of 2010, and their feedback will be used to launch initiatives to improve our performance around the world.

To maintain the spirit of localisation, we have updated the survey to have a very local flavour. With a small core set of global questions, markets can select additional topics for inclusion that best fit with their environment, as well as select the survey timing to suit local circumstances. From 2009, the process will provide the possibility for managers throughout Nestlé to access their individual results, to allow for improvement activities to take place at all levels, and tools to be made available to support action planning.

This new, enhanced survey will ensure we measure not only employee engagement but also alignment with our strategic roadmap, our leadership and how well we enable employees to succeed. The relaunch process includes many more tools to enhance and expand action on feedback throughout the organisation.

Workplace wellness

Nestlé knows that sustaining and growing a successful business has always depended on the fit and healthy employee. In the future, given the demographics of our societies, future business will increasingly depend on the ageing employee.

In January 2008, at the World Economic Forum, Peter Brabeck-Letmathe, Chairman of Nestlé, joined the heads of several other companies in signing a call to action on workplace wellness. And in December 2008, Nestlé signed a multi-company commitment to the World Health Organization to fight chronic diseases including in the workplace.

Over 95% of surveyed Nestlé markets around the world either have workplace wellness programmes in place or under development. These are diverse in nature, but in general, they provide nutrition information (in 65%–80% of sites), fitness centres (about 50%) and free water (90%). Nearly all sites (96%) have preventive medicine programmes, for example vaccinations, blood glucose and lipid profiles.

In 2008, a review of employee health by Nestlé UK and Ireland revealed that many of our employees were overweight or obese, and blood pressure rates were higher than the national average. Nestlé UK has since introduced an extremely well-developed health and safety programme and an additional employee wellness scheme that covers all of its 6000 employees in the UK and Ireland.

"Nestlé wants its employees to experience the Company's vision as a daily reality. Through the provision of a healthy diet and sporting activities, Nestlé follows the principle of 'healthy minds in healthy bodies', knowing that a loyal and productive workforce is the key driver of its success."

Building Good Food, Good Life, Paul Bulcke, Chief Executive Officer, Nestlé S.A. and Peter Brabeck-Letmathe, Chairman, Nestlé S.A., October 2009

The programme – built around engaging, empowering and energising employees to “make healthy choices easy choices” – has four strands:

- Nutrition – with minimum nutritional standards for our catering contracts, healthier choices and nutritional information.
- Increased physical activity – employees are motivated to walk 10 000 steps per day through the 14-week Global Corporate Challenge. Nestlé UK and Ireland was named our “most active business”, with 22 teams in the top 100. The global daily average was 11 400 steps, and the 651 participants from Nestlé Switzerland averaged the most: 13 247 steps.
- Mental resilience – we have effective systems for both preventing and managing mental health difficulties through manager training, effective communication and good working relationships.
- Health screening – in collaboration with Nuffield Health, we provide subsidised health assessments to employees and offer free basic health checks.

The programme is supported by a network of occupational health professionals, nutritionists and rehabilitation experts, and tailored to individual work environments by enthusiastic, motivated volunteers known as “Site Champions”.

Other locations have developed alternative approaches, such as Nestlé in Oceania, which held a WellNes4Life Expo in September 2009. Employees were encouraged to boost their wellbeing through:

- store discounts, insurance offers and brain-training exercises (mind);
- eye tests, massages and Wii Sport challenges (body);
- exchange programmes, overseas volunteering and charity fundraising (soul).

Nestlé South Africa: Response to HIV/AIDS

Nestlé South Africa escalated its involvement in HIV/AIDS with the introduction of free anti-retrovirals for all HIV+ employees in early 2004. The programme, now in its fifth year, provides diagnostic and counselling services, as well as the confidential provision of anti-retrovirals to all Nestlé employees at no cost to the employee. The service is outsourced and was extended to spouses and life partners in 2007.

Despite this, the stigma of being identified as HIV+ still prevents a number of employees from utilising the service, sometimes at the risk of their own lives. To address this, Employee Wellness has launched a number of interventions in the last three years.

- Voluntary counselling and testing is conducted at every unit every three years, during which employees are counselled and offered a free HIV test conducted by outsourced nursing staff (to maintain confidentiality). This is followed by another counselling session, during which the outcome of the test is discussed, and a referral to Aid for AIDS if the results are positive. A total of 2400 employees have been tested since the inception of the programme in January 2007.
- Ongoing testing, counselling and support are offered at each on-site Occupational Health Clinic by employee wellness specialists.
- World AIDS Day is commemorated in each unit, with activities for employees and community-based events.



GRI content index

Profile Disclosures

1. Strategy and Analysis

Profile disclosure	Description	Cross-reference section
1.1	Statement from the most senior decision-maker of the organization	CSV: Page 3: A message from our Chairman and CEO
1.2	Description of key impacts, risks, and opportunities	CSV: Pages 8-9: Material issues, Key Performance Indicators and focus areas CSV: Pages 10-11: Challenges

2. Organizational Profile

Profile disclosure	Description	Cross-reference section
2.1	Name of the organization	AR: Page 36: Shareholder information
2.2	Primary brands, products, and/or services	AR: Pages 8-15: The Nestlé Roadmap to Good Food, Good Life AR: Page 19: Overview http://www.nestle.com/Brands/BrandHome.htm
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	AR: Pages 20-22: Overview http://www.nestle.com/InvestorRelations/FinancialOverview/Introduction.htm CFS: Pages: 52-63: Notes, Segment reporting, 118-139: Companies of the Nestlé Group
2.4	Location of organization's headquarters	AR: Page 36: Registered offices
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	AR: Pages 32-33: Geographic data: people, factories and sales
2.6	Nature of ownership and legal form.	AR: Page 34-35: Corporate Governance and Compliance CFS: Pages 118-139: Companies of the Nestlé Group
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	AR: Pages 32-33: Geographic data: people, factories and sales
2.8	Scale of the reporting organization.	AR: Key figures (consolidated): Pages II-III AR: Pages 28-33: Geographic data: people, factories and sales CSV: Pages 26-28: Key performance indicators CFS: Page 116: Financial information

2.9	Significant changes during the reporting period regarding size, structure, or ownership.	AR: Pages 2-5: Letter to our shareholders
2.10	Awards received in the reporting period.	CSVR: Page 62: Transport and distribution

3. Report Parameters

Profile disclosure	Description	Cross-reference section
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	CSVR: Page 19: About our reporting
3.2	Date of most recent previous report (if any).	CSVR: Page 19: About our reporting
3.3	Reporting cycle (annual, biennial, etc.)	CSVR: Page 19: About our reporting
3.4	Contact point for questions regarding the report or its contents.	http://www.nestle.com/Common/Header/ContactUs.htm
3.5	Process for defining report content.	CSVR: Pages 8-9: Material issues, Key Performance Indicators and focus areas CSVR: Page 19: About our reporting CSVR: Page 13: Stakeholder engagement
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	CSVR: Page 19: About our reporting
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	CSVR: Page 19: About our reporting
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	CSVR: Page 19: About our reporting
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	CSVR: Page 28: Key Performance Indicators, Key definitions and notes
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	There are no restatements on information provided in earlier reports
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	There are no significant changes
3.12	Table identifying the location of the Standard Disclosures in the report.	CSVR: Page 91: GRI Content Index
3.13	Policy and current practice with regard to seeking external assurance for the report.	CSVR: Pages 20-23: Independent assurance statement

4. Governance, Commitments, and Engagement

Profile disclosure	Description	Cross-reference section
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	CGR
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	CGR: Pages 10-18: Section 3.5 - Internal organisational structure to Section 4.2 Professional background and other activities and functions The Chairman is not also the CEO
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	CGR: Pages 6-18: Sections 3 - Board of Directors; Section 4 - Executive Board All members of the Board of Directors are independent/non executive officers with the exception of the Nestlé CEO.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	AR: Page 36: Shareholder information CSVR: Page 89: Employee engagement CGR: Pages 36-40: Appendix 2: Articles of Association of Nestlé SA
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	CGR: Pages 23-33: Appendix 1: Compensation Report
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	CGR: Pages 10-11: Section 3.5.2 - Tasks and area of responsibility for each Committee of the Board of Directors CGR: Pages 23-33: Appendix 1: Compensation Report
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	CGR: Pages 12-18: Sections 3.6 - Definition of areas of responsibility, 3.7 - Information and control instruments vis-à-vis the Executive Board; 4 Executive Board CGR: Pages 23-33: Appendix 1: Compensation Report
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	CSVR: Page 2: Creating Shared Value at Nestlé CSVR: Page 12: Principles and policies NCBP CoBC

Profile disclosure	Description	Cross-reference section
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	CSVR: Pages 2-3: Creating Shared Value at Nestlé, A message from our Chairman and CEO CGR: Pages 12-13: Sections 3.6 - Definition of areas of responsibility and 3.7 - Information and control instruments vis-à-vis the Executive Board AR: Page 26: Principal risks and uncertainties
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	CGR: Pages 23-33: Appendix 1: Compensation Report
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	CSVR: Pages 2-3: Creating Shared Value at Nestlé, A message from our Chairman and CEO AR: Pages 8-14: The Nestlé Roadmap to Good Food, Good Life AR: Page 26: Overview
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	CSVR: Page 12: Principles and policies CSVR: Pages 16-18: Support for global principles and goals NCBP
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	CSVR: Pages 13-15: Stakeholder engagement CSVR: Pages 16-17: Support for global principles and goals (CEO Water mandate) CSVR: Pages 42-43: Advertising to children (EU Pledge, IFBA) CSVR: Page 46: Education and engagement (AIM) CSVR: Pages 57: Supply chain and watershed management (SAI) CSVR: Pages 60-61: Partnerships on climate change (SAI, AIM) CSVR: Pages 71-72: Managing supplier relationships (SAI, AIM) CSVR: Pages 77-80: Rural development: Sustainable coffee platforms (4C); SAI-Platform projects; Palm Oil (RSPO)
4.14	List of stakeholder groups engaged by the organization.	CSVR: Pages 13-15: Stakeholder engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.	CSVR: Pages 13-15: Stakeholder engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	CSVR: Pages 13-15: Stakeholder engagement CSVR: Page 89: Employee engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	CSVR: Pages 14-15: Key issues identified CSVR: Page 8: Material issues, key performance indicators and focus areas

Disclosure on Management Approach (DMA) and Performance Indicators

Economic

Management Approach Disclosure

Goals and Performances	AR: Pages 16-35: Financial Review
Policy	NCBP CSV: Page 12: Principles and policies
Additional context	AR: Pages 16-35: Financial Review

Economic performance

EC1	Direct economic value generated and distributed	CSV: Page 26: Key Performance Indicators AR: Pages 16-35: Financial Review
EC2	Risks and opportunities due to climate change	CSV: Pages 59-61: Climate change
EC3	Coverage of defined benefit plan obligations	Not reported
EC4	Significant financial assistance from government	Not reported

Market presence

EC5	Entry level wage compared to local minimum wage	Not reported
EC6	Policy, practices and spending on locally-based suppliers	CSV: Pages 71-80: Rural development
EC7	Local hiring	CSV: Page 28: Key Performance Indicators

Indirect economic impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	CSV: Pages 78-80: SAI-Platform projects and Cocoa Plan CSV: Page 58: Community engagement in water projects
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	CSV: Pages 69-80: Rural development CSV: Page 4: 2009 reporting focus: the value chain

Environment

Management Approach Disclosure

Goals and Performances	CSV: Pages 26-27: Key Performance Indicators CSV: Page 50: Water and environmental sustainability
Policy	CSV: Page 60: Our performance CSV: Page 12: Principles and policies NCBP CoBC

Management Approach Disclosure

Organizational Responsibilities	CSVR: Page 51: Compliance with sustainable business practices CSVR: Page 11: Governance structure
Training and Awareness	CSVR: Page 51: Compliance with sustainable business practices CSVR: Pages 2-15: Creating Shared Value at Nestlé CSVR: Pages 24-28: Reporting performance
Monitoring and Follow Up	CSVR: Page 12: Compliance CSVR: Page 51: Compliance with sustainable business practices
Additional context	CSVR: Pages 49-68: Water and environmental sustainability

Material

EN1	Materials used by weight or volume.	CSVR: Page 26: Key Performance Indicators
EN2	Percentage of materials used that are recycled input materials.	Not reported

Energy

EN3	Direct energy consumption by primary energy source.	Partially reported, CSVR: Page 27: Key Performance Indicators
EN4	Indirect energy consumption by primary source.	CSVR: Page 27: Key Performance Indicators
EN5	Energy saved due to conservation and efficiency improvements.	CSVR: Page 64: Improving our energy efficiency
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	CSVR: Page 64: Improving our energy efficiency
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	CSVR: Page 64: Improving our energy efficiency

Water

EN8	Total water withdrawal by source.	CSVR: Page 27: Key Performance Indicators CSVR: Page 55: Our performance: direct operations
EN9	Water sources significantly affected by withdrawal of water.	Not reported
EN10	Percentage and total volume of water recycled and reused.	Not reported

Biodiversity

EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not reported
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not reported
EN13	Habitats protected or restored.	Not reported
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not reported
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not reported

Emissions, effluents and waste

EN16	Total direct and indirect greenhouse gas emissions by weight.	CSV: Page 27: Key Performance Indicators
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not reported
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	CSV: Pages 59-61: Climate change CSV: Page 65: Renewable energy
EN19	Emissions of ozone-depleting substances by weight.	CEPI
EN20	NO _x , SO _x , and other significant air emissions by type and weight.	Partially reported, CEPI
EN21	Total water discharge by quality and destination.	CSV: Page 27: Key Performance Indicators CSV: Page 57: Water treatment
EN22	Total weight of waste by type and disposal method.	CSV: Page 26: Key Performance Indicators CSV: Page 66: Waste and recovery of by-products
EN23	Total number and volume of significant spills.	Not reported
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not reported
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not reported

Products and services

EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	CSV: Pages 49-68: Water and environmental sustainability
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not reported

Compliance

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

EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	CSV: Pages 62-63: Transport and distribution
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Overall

EN30	Total environmental protection expenditures and investments by type.	Not reported
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Social: Labor Practices and Decent Work

Management Approach Disclosure

Goals and Performances	CSV: Page 28: Key Performance Indicators CSV: Pages 82-85: Our People
Policy	CSV: Page 12: Principles and policies NCBP CoBC
Organizational Responsibilities	CSV: Pages 84-85: A fair workplace CSV: Page 11: Governance structure
Training and Awareness	CSV: Pages 84-85: A fair workplace CSV: Page 85: Compliance with sustainable business practices CSV: Page 86: Training and learning
Monitoring and Follow Up	CSV: Page 85: Compliance with sustainable business practices
Additional context	CSV: Pages 81-90: Our People

Employment

LA1	Total workforce by employment type, employment contract, and region.	Partially reported, CSV: Page 28: Key Performance Indicators CSV: Page 82: Our people
LA2	Total number and rate of employee turnover by age group, gender, and region.	Not reported
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not reported

Labor/management relations

LA4	Percentage of employees covered by collective bargaining agreements.	Not reported
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not reported

Occupational health and safety

LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not reported
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Partially reported, CSV: Page 28: Key Performance Indicators CSV: Page 83–84: Health and safety performance
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Not reported
LA9	Health and safety topics covered in formal agreements with trade unions.	Not reported

Training and education

LA10	Average hours of training per year per employee by employee category.	Not reported
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	CSV: Pages 86–88: Training and learning
LA12	Percentage of employees receiving regular performance and career development reviews.	Not reported

Diversity and equal opportunities

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

Social: Human Rights

Management Approach Disclosure

Goals and Performances	CSV: Page 27: Key Performance Indicators CSV: Page 82: Our People CSV: Page 85: Compliance with sustainable business practices NCBP
Policy	CSV: Page 12: Principles and policies NCBP CoBC
Organizational Responsibilities	CSV: Pages 84-85: A fair workplace CSV: Page 11: Governance structure NCBP
Training and Awareness	CSV: Pages 84-85: A fair workplace CSV: Page 86: Training and learning NCBP: Page 10: Human rights
Monitoring and Follow Up	CSV: Page 71: Nestlé Supplier Code CSV: Pages 75-76: Assessing sustainability at farm level (RISE)
Additional context	CSV: Pages 69-80: Rural development CSV: Page 17: UN Global Compact Principles

Investment and procurement practices

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

Non-discrimination

HR4	Total number of incidents of discrimination and actions taken.	Not reported
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Freedom of association and collective bargaining

HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Not reported
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Child labor

HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	CSV: Page 28: Key Performance Indicators CSV: Pages 84-85: A fair workplace
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Forced and compulsory labor

HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	CSV: Page 28: Key Performance Indicators CSV: Pages 84-85: A fair workplace
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Security practices

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

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

Management Approach Disclosure

Goals and Performances	CSV: Pages 26-28: Key Performance Indicators CSV: Page 70: Rural development
Policy	CSV: Page 12: Principles and policies CSV: Page 71: Managing supplier relationships NCBP CoBC
Organizational Responsibilities	CSV: Page 11: Governance CGR
Training and Awareness	CSV: Page 71: Managing supplier relationships CSV: Page 78: Coffee (SAI Platform) CSV: Page 79: Cocoa
Monitoring and Follow Up	CSV: Page 71: Managing supplier relationships
Additional context	CSV: Pages 69-80: Rural development

Community

SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Not reported
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Corruption

SO2	Percentage and total number of business units analyzed for risks related to corruption.	CSV: Page 28: Key Performance Indicators CSV: Page 85: Compliance with sustainable business practices
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not reported
SO4	Actions taken in response to incidents of corruption.	Not reported

Public policy

SO5	Public policy positions and participation in public policy development and lobbying.	CSV: Pages 13-15: Stakeholder engagement
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SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not reported
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Anti-competitive behaviour

SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not reported
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Compliance

SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not reported
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Social: Product Responsibility

Management Approach Disclosure

Goals and Performances	CSV: Pages 26-28: Key Performance Indicators CSV: Page 30: Nutrition
Policy	CSV: Page 12: Principles and policies NCBP
Organizational Responsibilities	CSV: Page 11: Governance structure CSV: Pages 31-32: Our global research and development network
Training and Awareness	CSV: Page 34: Branded Active Benefits CSV: Pages 34-35: Micronutrient fortification CSV: Page 38: Portion guidance for a balanced diet CSV: Pages 39-40: Special nutritional needs: complementary foods for infants and malnutrition in older people CSV: Page 41: Nutritional information for consumers CSV: Page 42: Responsible advertising and marketing CSV: Page 86: Training and learning
Monitoring and Follow Up	CSV: Pages 26-28: Key Performance Indicators CSV: Page 44: Infant food marketing, Audits
Additional context	CSV: Pages 29-48: Nutrition

Customer health and safety

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not reported
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not reported

Product and service labeling

PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not reported
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	CSVR: Page 26: Key Performance Indicators
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not reported

Marketing communications

PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	CSVR: Page 26: Key Performance Indicators CSVR: Pages 42-43: Advertising to children CSVR: Page 44: Infant food marketing
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	CSVR: Page 26: Key Performance Indicators CSVR: Page 44: Infant food marketing

Customer privacy

PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not reported
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Compliance

PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not reported
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Abbreviations:

CSVR: Creating Shared Value Report 2009

AR: Annual Report 2009

CGR: Corporate Governance Report 2009

CFS: Consolidated Financial Statements of the Nestlé Group

NCBP: Nestlé Corporate Business Principles

CoBC: Code of Business Conduct

CEPI: 2009 Consolidated Environmental Performance Indicators

Key:

Additional indicators are shown on a white background