
Creating
Shared Value
Summary Report
2009



Nestlé

Good Food, Good Life



2009 performance summary

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.

📄 Please see www.nestle.com/csv/kpis

Creating Shared Value Key Performance Indicators	GRI	2008	2009
Economic			
Total Group sales (CHF million)	●	109908	107618
Net profit (CHF million)	●	18039	10428
Nutrition			
Nestlé Nutrition business (sales volume, CHF million)		10375	9963
Products meeting or exceeding Nutritional Foundation profiling criteria (% 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, TFAs, 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)	●	98	98
Products in EU with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) ^(d)	●	88	91
Nestlé television advertising to children under six in compliance with policies on responsible marketing (%)	●	n/a	99.9
Nestlé contraventions of infant formula marketing requiring remediation ^(e)	●		6
Infant formula marketing staff in developing countries trained in the WHO Code (% of staff)		n/a	100
Popularly Positioned Product SKUs			3950
Popularly Positioned Products (sales volume, CHF million)		8300	8770
Water and environmental sustainability			
Materials			
Total raw materials used (million tonnes)	●	21.43	21.18
Waste and by-products (kg per tonne of product)	●	36.9	41.5
By-products for reuse or recovery (% of total materials used)	●	5.2	6.4
Waste for final disposal (% of total materials used)	●	1.9	1.7
Energy			
Direct energy consumption (Peta Joules)	●	86.9	85.2
Direct energy consumption (Giga Joules per tonne of product)	●	2.12	2.07
Indirect energy consumption (Peta Joules)	●	65.3	65.1
On-site energy generated from renewable sources (% of total)	●	12.6	12.2
Greenhouse Gases (GHGs)			
Direct GHG emissions (million tonnes CO ₂ eq)	●	4.1	3.98
Direct GHG emissions (kg CO ₂ eq per tonne of product)	●	100.0	96.6
Indirect GHG emissions (million tonnes CO ₂)	●	3.00	3.00
Indirect GHG emissions (kg CO ₂ per tonne of product)	●	73.1	72.8

	GRI	2008	2009
Water			
Total water withdrawal (million m ³)	●	147	143
Water withdrawal (m ³ per tonne of product)	●	3.59	3.47
Total water discharge (million m ³)	●	96.1	91.3
Quality of water discharged (average mg COD/l)	●	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	58995
Reduction of packaging weight (per l of product) – Nestlé Waters, over 5 years (%)		20.0	21.8
Rural development			
Farmers trained through capacity-building programmes		158837	165553
Markets covered by 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 Nestlé Supplier Code		165000	165497
Suppliers who acknowledged Nestlé Supplier Code		120000	165497
Our people			
Total workforce (number of employees)		282887	278165
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)		2.8	2.0
Total injury rate among employees and contractors (per million hours worked)	●	6.1	5.1
Fatalities of employees and contractors	●	13	4
Employees receiving formal classroom training in developing countries	●	83928	93146
Leadership positions held by women (%)	●	25	27
Local Management Committee members native to country in developing countries (%)	●	42	42

● KPI corresponds in full to a GRI G3 indicator.

● KPI corresponds in part to a GRI G3 indicator.

(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.

This is a summary report. Please see our full Creating Shared Value Report at www.nestle.com/csv

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Cover: Through The Cocoa Plan, farmers like Nadège Akissi Kouakou (left) from Gagnoa, Côte d'Ivoire, receive high-yield cocoa plantlets and technical support from agronomist Kam-Rigne Laossi.

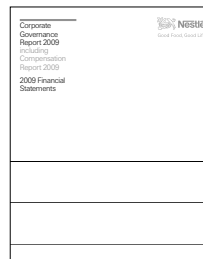
Opposite, left: Nestlé Chairman Peter Brabeck-Letmathe joins sixth graders from Seoul Soorak Elementary School, Republic of Korea, in a lesson about nutrition, delivered as part of the Healthy Kids Programme.

Opposite, right: Nestlé Chief Executive Officer Paul Bulcke visits a *Maggi* stand during a visit to a market in Ghana.

Accompanying reports



Annual Report 2009



Corporate Governance Report 2009; Compensation Report 2009; 2009 Financial Statements

© Figures highlighted throughout the report with this symbol are tracked as Key Performance Indicators and summarised in the KPI table inside the front flap.

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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, e.g. 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, both in terms of talent and capital, in those areas where the potential for joint value creation is the

greatest, and seeks collaborative action with relevant stakeholders in society.

At Nestlé, we have analysed our value chain and determined that the areas of greatest potential for joint value optimisation with society are 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 which is available to any company which 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.

A blue ink signature of Peter Brabeck-Letmathe, written in a cursive style.

Peter Brabeck-Letmathe
Chairman of the Board

A blue ink signature of Paul Bulcke, written in a cursive style.

Paul Bulcke
Chief Executive Officer

About our reporting

Company profile

Nestlé is the world's leading Nutrition, Health and Wellness company. It was founded in 1866, and is headquartered in Vevey, Switzerland.

CHF 107 618 million total Group sales

CHF 10 428 million net profit

278 165 employees worldwide

3.4 million people from developing countries in Nestlé supply chain

449 factories

100+ countries in which the Company has operations

28 research and development centres

Our reporting history

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).

In 2001, we began to report on matters related to rural development and farmers, employees and social and economic development in Latin America and Africa.

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. The full 2009 Report – available online at www.nestle.com/csv – expands our evidence-based reporting approach, with a focus on progress against key performance indicators and the actions we have taken to address challenges such as malnutrition and obesity, for example.

Our wider communications

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

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 our latest online report and this summary 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 278 165 Nestlé employees, as well as the equivalent of approximately 25 000 contractors.

Overview of 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 legislation and relevant conventions, as well as our own requirements, 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 for both 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;



In Huehuetenango, Guatemala, Mario López Rodríguez from the Rainforest Alliance (left) assesses the quality of the coffee crop with Nespresso’s Benjamin Baretzki and Juan Diego Román.

- 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.

Creating Shared Value and the value chain

A conceptual framework to measure a company’s overall net impact on its many stakeholder groups has been developed by the Centre for International Business at Leeds University Business School. This value chain model has already been used to assess the full impact of some of our business activities, such as the *Nespresso* Ecolaboration platform for sustainable innovation, and our milk district operations in Pakistan. Read more online at www.nestle.com/csv/casestudies.

2009 highlights

7252 products renovated for nutrition or health considerations

71% of products meet or exceed Nutritional Foundation profiling criteria (as % of total sales)

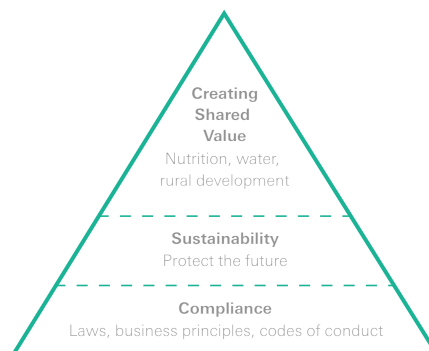
59% reduction of water withdrawal per tonne of product since 2000

48% reduction of greenhouse gas emissions per tonne of product since 2000

12.2% of on-site energy use from renewable sources

165 553 farmers and suppliers trained through capacity-building programmes

27% leadership positions held by women



Areas of focus and engagement

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

We have identified nutrition, water and rural development as key global issues of concern to society that are of relevance to our business. These are also core to driving competitive advantage and growth in shareholder value, and to meeting the needs of society.

To prioritise the issues deemed most critical to the Company and stakeholders, we worked with SustainAbility, an independent corporate responsibility and sustainable development consultancy, in 2008. In 2009, drawing on the opinions of investors, civil society groups, the media and Nestlé executives, we again asked SustainAbility to review this prioritisation.

While the list of key issues had not changed, external interest has increased for all of them, 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 major priority, cutting across each stage of the value chain. Read more about the methodology used by SustainAbility

in our full report at www.nestle.com/csv/materialissues.

The following areas were therefore prioritised in our reporting:

- using science and technology to create nutritionally superior products, and responsible communication about Nutrition, Health and Wellness to consumers (see pages 6–9);
- managing our operations with respect to the environment, with particular focus on the availability and accessibility of water and the impact of climate change (see pages 10–15);
- our approach to agricultural sourcing and supplier development (see pages 16–19);
- operating as a responsible employer (see pages 20–23).

As part of our commitment to more evidence-based reporting, we worked with SustainAbility to develop a select number of strategic Key Performance Indicators. These are summarised on the inside cover flap, highlighted throughout the report and covered in greater detail at www.nestle.com/csv/kpis.

Stakeholder engagement

In April 2009, Nestlé held its first Creating Shared Value Global Forum in New York City, in conjunction with the United Nations Office for Partnerships and the Swiss Mission to the United Nations. Leading experts discussed policy changes at the global and national level, opportunities for progress, and the role of business. 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 is available at www.creatingsharedvalue.org.

To advise the Company on how our core business can be leveraged to have a positive impact on society, the newly formed Creating Shared Value Advisory Board met in April and December 2009. The Board members,

comprised of internationally recognised experts, were appointed 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, helps to lead the annual CSV Forum, and selects 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.

During 2009, we invited external stakeholders to provide feedback on our CSV strategy at convenings in Geneva, Washington and Kuala Lumpur facilitated by AccountAbility, and attended by more than fifty experts from a wide range of social and environmental impact areas. A number of key issues emerged during the discussions, including the promotion of healthy lifestyles, human rights and sustainable production in the supply chain, climate change and water management, and community support and rural development. The importance of compliance and engagement with local authorities and effective assurance of key impact data along the value chain were also highlighted. Read more online at www.nestle.com/csv/engagement.

Nestlé also works to share insights, identify best practices and leverage greater impact through partnerships, policy forums, leadership events and industry-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 nine of the largest food and beverage companies, in dialogue with the World Health Organization to help



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

- 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.

CSV governance

As Creating Shared Value is built into our basic business strategy and operations, the Chairman, the Chief Executive Officer and Executive Board members are responsible for the supervision and management of Creating Shared Value.

A newly formed CSV Alignment Board, chaired by Chief Executive Officer Paul Bulcke, meets quarterly to oversee the strategic implementation and coordination of Creating Shared Value across all Nestlé businesses at a Group level.

Principles and policies

Our overall corporate framework continues to be the *Nestlé Corporate Business Principles*, which guide our behaviour in relation to all relevant stakeholders, supported by the *Nestlé Management and 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 standards (see page 24).

Compliance

A wide range of global policies (available for download from www.nestle.com/csv/downloads), are also applied consistently and rigorously across our operations through our auditing and assurance standards:

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

Nutrition

As the world's leading Nutrition, Health and Wellness company, we believe that the future of our Company lies in helping people to eat a healthier diet, whether the issue 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. In support of our ambition to produce tasty, nutritious food and beverages that also have the lowest possible environmental impact, we use science-based solutions 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.

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 are reducing the salt, sugar, trans fatty acid, saturated fat and artificial colourings they contain, while maintaining their taste, 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 Code in developing countries. We advertise healthier products to children and have introduced new, more detailed 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 as well as taste, and to invest in nutrition-based labelling on our product packaging. We increased employee training on nutritional

knowledge and improved the training of infant formula marketing staff. We also increased sales of our Popularly Positioned Products for lower-income consumers.



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, Nestlé Sri Lanka

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)

Our global research and development network

Nestlé's products are based on the world's largest private nutrition R&D network, comprising 28 research, technology and product development centres* and more than 5200 employees*, with the Nestlé Research Center at its centre. We invested CHF 2 billion in R&D in 2009, and inaugurated the Abidjan Research & Development Centre in Abidjan, Côte d'Ivoire and the Chocolate Centre of Excellence in Broc, Switzerland. To assure that sustainability is inherent in our R&D planning, the new R&D Sustainability Council was approved by the Executive Board in October 2009.

Nestlé Nutrition Council

To help guide Nestlé strategy in nutrition, a council of internationally recognised experts in nutrition, chaired by Executive Vice President Werner Bauer, meets with Nestlé management on a regular basis to consider key topics in nutrition relevant to Nestlé business interests.

Making nutrition the preferred choice

Healthy diets must be enjoyable to be sustained, so we continuously invest in consumer preference and product innovation and renovation. In 2009, products worth CHF 16.8 billion were tested through our 60/40+ programme[®], which combines consumer taste preferences with a nutritional "plus". Driven by our corporate policies, 7252 products were renovated or reformulated[®] by reducing public health-sensitive components such as trans fatty acids, salt, sugar and saturated fats or increasing those considered to be positive for health, such as whole grains, vegetables and calcium. We are also developing a recipe management system to track a wide range of nutrition and health metrics at a global level. The database will overcome the current difficulties in assembling data on the removal of trans fatty acids,

*Food & Beverage R&D

salt, sugar and saturated fats in Nestlé markets globally.

In 2009, products were analysed against the Nestlé Nutritional Profiling System, a rigorous methodology based on public health recommendations including those of the World Health Organization and the US Institute of Medicine. 71% met or exceeded the required standards[®] and attained the Nestlé Nutritional Foundation status. We also sold CHF 5 billion of products with Branded Active Benefits – ingredients providing additional, scientifically proven health benefits.

Micronutrient fortification

Our locally adapted Popularly Positioned Products (PPPs) provide people on lower incomes with products of nutritional value at an affordable price and appropriate serving size. With many consumers suffering from deficiencies in key micronutrients such as iron, iodine, vitamin A and zinc, we fortify billions of servings of Nestlé products. Many of these are PPPs such as iodine-enriched *Maggi* products (bouillons, seasonings and noodles), of which we delivered more than 90 billion fortified servings in 2009. Nestlé invests CHF 12 million a year into direct R&D for dehydrated and liquid milk-based products, and this know-how is applied in affordable milks for local populations in emerging countries, fortifying them with relevant micronutrients in each location. At the end of 2009, our affordable milk range was available in more than 60 countries.



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.

Malnutrition in older people

In October 2009, Nestlé Nutrition's new Mini-Nutritional Assessment Short Form, an easy-to-use screening tool specifically designed for identifying malnourished elderly people, or those at risk of malnutrition, was fully validated. Nestlé Nutrition also offers products that provide nutrients commonly deficient in the diets of older people, and that enhance quality of life by supporting bone and joint health, muscle strength and recovery from illness.

Consumer information

Guiding consumers about appropriate portion sizes and balanced diets has driven the deployment of the *Nestlé Nutritional Compass*, which helps consumers make more informed decisions through on-pack nutrient tables, healthy eating or drinking suggestions, and links to more information. By December 2009, the *Nestlé Nutritional Compass* appeared on 98% of our products (sales volume)[®], 91% of our European portfolio also carries voluntary Guideline Daily Amounts labelling.

Responsible advertising and marketing

Nestlé's *Consumer Communication Principles* prevent advertising or marketing activity directed at children under 6 years, and restrict advertising for children aged 6–12 to those products that meet the rigorous Nutritional Foundation criteria. Nestlé has also joined all the voluntary, independently monitored industry initiatives on responsible food and beverages advertising to children at a national and regional level (eight to date).

Our *Corporate Business Principles* also cover strict adherence to the International Code of Marketing of Breastmilk Substitutes in developing countries. Nestlé's extensive Code implementation procedures, independent external monitoring, strong penalties for World Health Organization (WHO) Code violations



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

and a global Code Ombudsman System have been highly rated by independent social investor analysts and received a positive response where national governments have done Code compliance monitoring. In 2009, 100% of relevant staff in developing countries received WHO Code training[®]. Further information is available at www.nestlebabymilk.com.

Education and engagement

Building on existing Nestlé sponsored programmes currently educating 10 million school-age children about nutrition or physical activity, the Nestlé Healthy Kids Global Programme was launched. Nestlé intends to implement Healthy Kids in all countries where Nestlé has operations, by the end

of 2011. 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.

Brand and consumer communication

All business units are encouraged to embed sustainability into their business strategies and consumer communications. Some brands have started to implement this approach, including Häagen-Dazs' support for honey bee research, the Nespresso Ecolaboration platform and Nescafé's sustainability website.

CSV summary

Value for Nestlé

Deeper understanding of nutrition and health issues including customer insight; fruitful collaborations with various stakeholders; greater consumer loyalty; long-term enhanced growth, market share and profitability.

Value for society

Greater access to safe, high-quality, responsibly produced, nutritious food marketed in a responsible way; greater knowledge about nutrition and healthy lifestyle; better understanding of Nestlé products as part of a healthy, enjoyable diet.

🌐 www.nestle.com/csv/consumer

Water and environmental sustainability

Globally, the combination of population growth, increasing affluence, and wasteful 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 own operations and those of our suppliers, 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 products, as well as those associated with the wider value chain, thereby contributing to a better future and creating shared value both for 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.

A photograph of two men sitting in a tomato field. The man on the left is wearing a white short-sleeved shirt and light-colored trousers, smiling at the camera. The man on the right is wearing a light blue Lacoste polo shirt and blue trousers, also smiling. They are surrounded by rows of tomato plants with many ripe red tomatoes. The background shows a clear blue sky and a line of trees in the distance.

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 solar-powered 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)



Water management

Water is our key environmental priority and effective water management is a core focus area of Creating Shared Value. In 2009, we led a joint project with McKinsey and others to analyse water overuse and develop a comprehensive fact-based approach to address it, the results of which are documented in *Charting our water future: Economic frameworks to inform decision making*. To contribute to best practice in sustainable water management in the private sector, we are also a founding signatory of the UN Global Compact's CEO Water Mandate and report against the six core elements in our UNGC Water Communication on Progress (COP) – see page 24 and our full online report at www.nestle.com/csv/water for further information.

Our Water Resources Review monitors and manages local water

criteria such as quantity and quality and regulatory compliance. It has so far been used at some 65 Nestlé Waters sites, and is now also being rolled out to our food factories. This, along with rigorous management, has helped us to reduce water withdrawals by 3.2% to 143 million m³ of water[©] or 3.47 m³ per tonne of product[©] in 2009. This equates to a 33% reduction since 2000, while our production volume increased by 63%. Our goal is to improve water efficiency by a further 10–15% over the next five years.

The water we use in our factories for washing raw materials, cooking and cleaning is then itself cleaned in wastewater treatment plants. Our preference is to use municipal plants to return only cleaned water back into the environment. Where these are insufficient, we invest in our own on-site facilities, 292 to date. We remove 97% of the organic load

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

of the water leaving our factories before it is returned to the environment. In 2009, we discharged 91.3 million m³ of water[©], a decrease of more than 5% on 2008.

Good water management is fundamental to the livelihoods of our suppliers, so we help them through specific watershed management partnerships. We also work with local stakeholders in Henniez, Switzerland, where water has been extracted for bottling since 1905.

We increasingly contribute to community schemes such as in Cambodia, where Nestlé Nordic and the Cambodian and Danish Red Cross organisations have helped locals to build wells for drinking water and educated them about good hygiene.



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

In partnership with the International Federation of the Red Cross/Red Crescent (IFRC) and the Ivorian Red Cross, we have also rehabilitated deep-well pumps and provided toilet blocks for up to 50 000 people in Côte d'Ivoire.

Better tomatoes, less water

To maximise production and optimise both crop revenue and water use, Nestlé Italy has begun a three-year pilot project with 10 tomato farms in the Parma region. Using solar-powered technology to monitor soil moisture at root level, water use is optimised, yields have nearly doubled, tomato sugar content increased and water consumption almost halved.

Continuous improvement

The Nestlé Operations Sustainability Council, chaired by the Executive Vice President of Operations, has met monthly since 2007 to examine on an ongoing basis how we can further improve our sustainability through more efficient operations and improvements in environmental performance. Nestlé has become 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.

Operational excellence

Through Nestlé Continuous Excellence (see page 22), we aim to drive

competitive advantage through operational efficiency. One element of this is our programme to certify our operations to both environmental management (ISO 14001) and occupational safety and health management (OHSAS 18001) standards; to date 807 certificates were issued[®]. We also use Life Cycle Assessments (LCAs) to measure and reduce the environmental impacts



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

of our major product categories throughout the value chain, and use the results to further build sustainability into our products (see page 9). For an example of an LCA for *Nescafé*, please see our full online report at www.nestle.com/csv/LCA.

Climate change

Nestlé is committed to being a leader in reducing greenhouse gas emissions from our own operations, within our supply chain and by helping consumers make a difference. Our ambition is to offer products with the lowest environmental impact compared to alternatives, including those prepared at home.

As a company with a sound environmental track record and a commitment to further improvement, we support strict and fair standards to curb greenhouse gas emissions and natural resource consumption as these will reward the most resource-efficient companies and value chains.

Our efforts have helped reduce direct greenhouse gas emissions by 3.1% to 3.98 million tonnes of CO₂eq[®] or 96.6 kg of CO₂eq per tonne of product[®], which represents a 48% reduction per tonne of product over the last decade. Our indirect CO₂ emissions from purchased energy remained stable at 3 million tonnes compared to 2008.

We support multi-stakeholder action, helping suppliers to improve their environmental performance through the SAI Platform, and sharing our strategy and results via the Carbon Disclosure Project. We also support calls by The Prince of Wales's Corporate Leaders Group on Climate Change for a global emissions cap and long-term national reduction plans.

Transport and distribution

Through supplier rationalisation, new tender policies and driver training, our "green fleet" project – awarded second prize in the International Green Fleet Award 2009 – has reduced CO₂ emissions across our European fleet of cars and commercial vehicles by 17% since 2007. Similar initiatives, with local



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.

adaptations, are now being instigated in North America, Mexico, Brazil and Asia-Pacific.

To further reduce our impact on the environment, Nestlé Waters aims to use alternative transport modes wherever possible. In France and Belgium, 50% of our bottles were distributed by train or "intermodal" transport (truck and train) in 2008, resulting in 60 000 fewer truck loads, a saving of 12 million litres



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

of fuel and lower transport-related greenhouse gas emissions.

Improving our energy efficiency

By combining energy reduction initiatives at factory level, as well as changes in our product mix, we reduced energy consumption in 2009 by 2% to 85.2 PJ energy[®], or 2.07 GJ per tonne of product[®]. Indirect consumption, via the reduced quantity of energy we purchased, also fell to 65.1 PJ in 2009. Additional measures will help us to achieve at least a further 5% improvement in energy efficiency in each of our key product categories by 2015.

Energy-saving equipment

In June 2009, the *Nestlé Pure Life* bottling plant in Breinigsville, Pennsylvania, became the first Nestlé site to be Gold LEED (Leadership in Energy and Environmental Design) certified by the US Green Building Council. Today, nine Nestlé Waters North America plants are built to LEED standards, as will any future plant.

Renewable energy

We also continue to explore the feasibility of using more renewable energy sources to reduce our reliance on fossil fuels. 12.2% of our total on-site energy use now comes from renewable sources[®] and this will increase further through projects such as at Solon, Ohio, USA, which captures and uses methane from a landfill site as an energy source, and the installation of a wood-fired boiler at Nestlé France's facilities in Challerange that will reduce its CO₂ footprint by 95% and save an estimated EUR 9 million over ten years.

Energy reduction

At Nestlé Purina PetCare's Denver plant, energy use has been cut by 12.4% per tonne of product over five years through a new energy-efficient boiler, more energy-efficient lighting, and improved compressed air and steam systems. And thanks to a successful pilot scheme, it now boasts



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.

Colorado’s largest private solar-panel installation, which generates 1% of the plant’s electricity needs. We are now exploring the viability of solar energy at other Purina plants in Arizona and California, and Nestlé Italy has installed photovoltaic panels at two factories.

Waste and recovery

Our goal is zero waste and full recovery of unavoidable by-products. Through Nestlé Continuous Excellence, our factories reduced waste by 11.4% and increased reuse or recovery of by-products by 23.5% in 2009.

Optimising packaging

Packaging reduces waste by protecting food products during transportation

and storage, in the retail environment and at home, and it saves more than it costs, both financially and environmentally. Packaging is also essential for food safety and freshness, and provides consumers with nutritional information and portion guidance at the point of purchase.

Nestlé’s integrated approach on packaging involves reducing the weight and volume of packaging materials, using recycled or sustainably managed renewable resources, and supporting initiatives to recycle or recover energy from used packaging. This has saved 59 000 tonnes of packaging material by weight[®] in 2009, although total packaging materials increased by 4%[®], largely due to increased sales and production volumes. For example, more than 195 million pounds of resin have been saved and over 356 000 million tonnes of carbon dioxide equivalent (CO₂eq)

emissions avoided by Nestlé Waters’ Eco-Shape lightweight bottle in the United States.

Plastic bottle recycling

In addition to contributing to a number of collection systems, we help to raise awareness about plastic bottle recycling among consumers.

For example:

- Nestlé Waters China launched a nationwide awareness campaign on World Water Day in March;
- *Acqua Nestlé Vera* helped to organise a 27-town educational tour to encourage plastic bottle recycling across Sicily;
- Nestlé Pakistan sponsored a study into the fate of used bottles in three major cities.

CSV summary

Value for Nestlé

Continuously improving environmental performance; productive factories; reduced risks and costs; long-term availability of raw materials and water; sustainable, profitable growth.

Value for society

Raising of environmental standards; local employment opportunities; higher incomes and better standards of living.

www.nestle.com/csv/environment

Rural development

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 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 totalling 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 sustainability initiatives over the next decade, and developed our policy on palm oil.

A woman with long dark hair, wearing a black and white striped shirt and a grey skirt with a decorative blue and white bow at the waist, carries a young child on her back. The child is wearing a red long-sleeved shirt and grey pants. To the right, a man wearing a maroon polo shirt and a black cap with the Nespresso AAA logo sits on a stool. The background is a green wall with a patterned floor.

Value for society

"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 Monzón de Herrera,
farmer

Value for Nestlé

"Coffee producers participate in the *Nespresso* AAA Programme, 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 Román,
Nespresso AAA
Programme Manager
for Central America

Supplier relationships

Our Nestlé Supplier Code, introduced in 2008, has been communicated to 100% of our 165 497 suppliers; at field level, 82.3% of collection and buying stations displayed the Code. Supplier events to foster awareness of our corporate responsibility requirements were held in Poland, Turkey and West Africa, and all suppliers were screened through our internal risk assessment to identify those with a high risk potential. Pilot suppliers have completed a self-assessment questionnaire and were assessed through a third-party audit. Our methodology will be extended to a larger supplier base in 2010.

Our own Sustainable Agriculture Initiative Nestlé (SAIN) now covers 35 markets[©] and 77% of our 39 direct procurement markets[©]; ten SAIN projects were associated with water issues in 2009[©].

Supplier development

We help local suppliers to reach our standards, improve cost efficiency, avoid imports and eliminate waste. For example, in India, we have helped



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.



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

to save CHF 5 million, stopped importing 12 raw materials, and acquired 70 new suppliers since 2005. These include small suppliers such as KCL, which began producing corn flakes for Nestlé infant cereals in November 2008 after occasional quality issues with our only Asian supplier. The programme has since been rolled out to Bangladesh, Brazil, Indonesia, Iran, Malaysia, Russia and South Africa.

Sourcing profile

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

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. We purchase 5 million tonnes directly from farmers, giving them greater access to market and a fair price, and providing us with a regular supply of high-quality milk. Local communities also benefit from collection, storage and

transportation facilities, training, quality control systems, microfinance loans and employment opportunities at our factories.

Dairy cooperatives with large chilling facilities supply milk for processing in Kenya and Uganda. Following field visits in May 2009, Nestlé recommended that smaller milk chillers be introduced to reduce the number of farmers needed to make each chilling centre viable and improve milk quality by reducing the transport time from milking to collection. Smaller chillers also avoid the need for pumps, cleaning equipment and third-party transportation.

Coffee

In 2009, Nestlé purchased 780 000 tonnes of green coffee, of which 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, making us the world's largest direct purchaser.

Farmers also benefit from free technical assistance, which helps them to improve the quality of their yields and gives us a secure supply. Over the last ten years, we have helped to train 100 000 cocoa and coffee farmers, and we plan to invest CHF 350 million through coffee plant science by 2020. Our strategy is now being communicated to consumers through the www.nescafe.com/sustainability website.

Cocoa

The Cocoa Plan is Nestlé's way of helping to tackle key issues facing cocoa farmers, their families and their communities, to create a better future for cocoa farming. The aim is to professionalise cocoa farming, with activity covering four broad areas: helping farmers, plant expertise, supply chain and better social conditions.

We are investing CHF 110 million over the next decade, initially focusing on Ecuador, Venezuela and Côte



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.

d'Ivoire. By working closely with farming cooperatives, paying a premium for better quality cocoa, investing in their future through farmer training and the provision of high-potential plantlets, Nestlé will create the conditions for a substantial improvement in farmer productivity and income.

Over the past fifteen years, Nestlé has provided 17 million high-yield, disease-tolerant coffee and cocoa plantlets to producer countries, and will provide at least 38 million more in the next decade; our new R&D Centre in Abidjan, Côte d'Ivoire, will provide farmers with 1 million high-potential cocoa trees each year from 2012. We also work with the International

Cocoa Initiative, UTZ Certified and Fairtrade to improve access to education, labour standards and environmental management, while partnering with the International Federation of the Red Cross/Red Crescent (IFRC) to fund a water and sanitation programme in schools.

Palm oil

Reflecting our concern about the destruction of rainforests and peat fields caused by palm oil plantations, we joined the Roundtable on Sustainable Palm Oil (RSPO) in 2009, started purchasing Certified Sustainable Palm Oil and have committed to using only Certified Sustainable Palm Oil by 2015.

CSV summary

Value for Nestlé

Secure long-term supply of quality raw materials; lower procurement costs; consumer preference for our products; profitable growth.

Value for society

Training and technical assistance; greater yields; higher quality crops; increased income; employment and economic development opportunities; consumers aware our products are safe and of high quality.

🌐 www.nestle.com/csv/agriculture

Our people

Thanks to the dedication and efforts of our employees, everyday we make a difference to the lives of many consumers around the world. Nestlé has a strong corporate culture which unites 278 165 people® comprising more than 100 nationalities. 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 taken every effort to focus on sustainability and stability, and ensure we have appropriate human resources for both our current and future needs.

Our goals

Hiring and employing people who share our values and principles is essential to us. 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. Long-term investments in training and professional development give our people better job opportunities, and provide Nestlé with the skilled workforce we need.

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.



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**

Nestlé Continuous Excellence programme

Our Nestlé Continuous Excellence (NCE) programme drives operational efficiency throughout our business and a “zero defect, zero waste” mentality across our value chain. It facilitates the sharing of best practice for manufacturing, leadership, people development, succession planning and performance management, and has driven the integration of several hundred operational standards in our factories (see page 12), leading to fewer accidents, increased productivity, less waste, and reductions in unplanned stoppages, quality defects and consumer complaints.

Assessing compliance

Compliance with our Corporate Business Principles and local laws is assessed by CARE, our independent audit programme, across four areas: occupational health and safety, labour standards, business integrity and the environment. More than 950 independent audits have now been conducted since 2005, with 435 taking place in 2009. We aim to extend CARE to all employees and sites by the end of 2010.

Managing health and safety

Workplace safety and health is a fundamental pillar of our Nestlé culture and principles, reflecting our beliefs that “safety is non-negotiable” and “one accident is one too many”. Senior management involvement and employee engagement at all operating sites have helped to improve our safety



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



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.

performance throughout the year, expressed in the reduction of our Lost Time Injury Frequency Rate among employees and contractors by 29% to 2.0 lost time injuries per million hours worked[©]. During the year, 190 factories recorded no lost time injuries. Our Total Recordable Injury Rate also improved to 5.1 injuries per million hours worked by employees and contractors[©], though our target remains “zero injuries”.

We have also implemented safe driving programmes in many countries where we operate, and are extending them to contractors in markets such as Brazil and Pakistan. Despite our continuous efforts, we deeply regret the 4 fatalities in 2009 caused by accidents at work[©], of which 2 were due to traffic accidents off-site; such instances, often beyond our direct control, remain a major challenge.

Workplace relations

Employee relationships within Nestlé are guided by our Corporate Business Principles and our Human Resources Policy, as well as our adherence to national laws, the Fundamental Conventions of the International Labour Organization (ILO) and the UN Global Compact’s human rights and labour principles (see overleaf and at www.nestle.com/csv/globalprinciples).

Recognising our capacity for progressing in some areas, we have identified good practices to improve workplace relations in several countries. For example, in the Philippines, HR managers and union

officers are trained on ILO Conventions, all employees in Colombia receive training on the Nestlé Corporate Business Principles while in Europe, managers regularly discuss workplace issues with local unions and representatives of the International Union of Food Workers. And to make further progress, a new corporate team has been set up to educate employees about the Corporate Business Principles, ensure compliance via our CARE programme, review our workplace policies and systems, and deploy a new Employee Relations Policy in 2010.

Workplace wellness

Over 95% of our Nestlé operating companies have workplace wellness programmes in place or under development. These are diverse in nature, but generally include nutrition information, fitness centres and free bottles of water. Nearly all sites (96%) have preventive medicine programmes, such as vaccinations, blood glucose testing and lipid profiles.

Gender balance

To leverage the competitive advantage of our culture of multicultural diversity, we have implemented a worldwide initiative to accelerate gender balance. This has initially focused on giving our leadership teams the necessary background and best practice guidance to increase gender balance. Some key human resources processes have also been reviewed. Locally adapted action plans are also being deployed in all markets. Nestlé Japan, for example, has run Gender Balance Awareness workshops with more than 250 participants, including its entire management team, while three taskforces (one each for sales, factories, and women and leadership) have been set up.

Training, learning and mentoring

To ensure Nestlé people are able to perform their jobs effectively, we offer a wide range of on-the-job training, e-learning programmes and



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

class-based tuition. During 2009, 93 146 employees from developing countries received formal classroom training[®], including the 42 931 employees who undertook classroom training as part of our NQ (Nutrition Quotient) programme. In addition, 2350 employees from around the world attended at least one of the 85 courses offered by our Rive-Reine International Training and Conference Centre in Switzerland during 2009.

Several mentoring schemes have been introduced across the organisation, including a Corporate Mentoring Programme to accelerate the professional development of more than 100 senior executives, each of whom has been paired with a

top leader for eighteen months. At a market level, schemes include Nestlé Spain's "MentorNes" programme and "Mentoring@Nestlé", a pilot programme launched by Nestlé Oceania in April 2009. Nestlé Nutrition launched its own mentoring programme in September 2008.

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.

www.nestle.com/csv/people

Support for global principles and goals

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, 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. While our latest report does not specifically reference progress against the UNGC Principles, it includes many examples of activities that illustrate our support for them, as summarised below.

CEO Water Mandate

In October 2008, the UN Global Compact Office 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 and an official Communication on Progress (COP) on water was introduced. 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 our full online report at www.nestle.com/csv/water).

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.

UN Millennium Development Goals

We also contribute towards the UN Millennium Development Goals (MDGs), which we regard as highly important objectives that, through partnerships that harness local knowledge and capabilities, can result in positive, sustainable change.

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.

The UN Global Compact Principles	Examples of Nestlé activities in 2009
Human Rights	The Cocoa Plan (page 18)
Labour	Gender balance (page 22)
Environment	Water Resources Review (page 12); participation in the Carbon Disclosure Project (page 14)
Anti-corruption	Extension of CARE programme to include business integrity (pages 5, 22)

The UN MDGs	Examples of Nestlé activities in 2009
1. Eradicate extreme poverty and hunger	Value chain impact of the dairy sector, Pakistan (page 3); The Cocoa Plan (page 18)
2. Achieve universal primary education	Healthy Kids Programme (page 9)
3. Promote gender equality and empower women	Women's dairy development in India (page 18)
4. Reduce child mortality	Micronutrient fortification (page 8)
5. Improve maternal health	Micronutrient fortification (page 8)
6. Combat HIV/AIDS, malaria and other diseases	Awareness-raising within Sustainable Tree Crops programme (online)
7. Ensure environmental sustainability	Ecolaboration (pages 3, 9); renewable energy (page 14); plastic bottle recycling (page 15)
8. Develop global partnerships	CSV Advisory Board (page 4); support for IFRC (pages 13, 19); support for International Cocoa Initiative, UTZ Certified, Fairtrade and RSPO (page 19)

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Nestlé S.A.
Avenue Nestlé 55
1800 Vevey
Switzerland
www.nestle.com/csv

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