

Nestlé

UN Global Compact Communication on Progress 2012

Nestlé provides Communication on Progress (COP) towards UNGC goals and principles in the form of our full *Creating Shared Value* (CSV) report, which covers the Company's efforts implementing the Advanced criteria.

As a founding participant in the UNGC LEAD, we also report progress against additional criteria of the Blueprint for Corporate Sustainability Leadership.

Links to the relevant CSV report content can be found below.

The Communication on Progress is in the following format:

- Stand alone document
- **Part of a sustainability or corporate (social) responsibility report** ☒
- Part of an annual (financial) report

What is the time period covered by your COP?

Start date: 1 January 2011

End date: 31 December 2011

Does your COP contain a statement by the CEO (or equivalent) expressing continued support for the Global Compact and renewing your company's ongoing commitment to the initiative and its principles?

Yes

Does your COP contain a description of actions, and when relevant policies, related to the following issue areas?

- **Human Rights** ☒
- **Labour** ☒
- **Environment** ☒
- **Anti-Corruption** ☒

Does your COP identify targets, define performance indicators and measure outcomes?

Yes

How does your organisation share its COP with stakeholders?

- a) Through the UN Global Compact website only

- b) COP is easily accessible to all interested parties (e.g. via its website)
- c) COP is actively distributed to all key stakeholders (e.g. investors, employees, consumers, local community)
- d) **Both b) and c)** ☒

Advanced Level Self-Assessment Criteria

Strategy, Governance and Engagement

Criterion 1: Key aspects of high-level sustainability strategy in line with Global Compact principles.

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Impact of broader sustainability trends on the long-term prospects and financial performance of the organisation	Material issues A message from our Chairman and CEO
Major sustainability risks and opportunities in the near to medium term (3-5 years)	Material issues
Social and environmental impact of the organisation's activities	CSV at Nestlé Nutrition Rural development Water Environmental sustainability Our people
Overall strategy to manage sustainability impacts, risks and opportunities in the near to medium term (3-5 years)	CSV at Nestlé
Key performance indicators to measure progress	Key Performance Indicators
Major successes and failures during the reporting period	Our performance Nutrition Rural development Water Environmental sustainability Our people

Criterion 2: Effective decision-making processes and systems of governance for corporate sustainability.

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Involvement and accountability of management (C-suite) in developing corporate sustainability strategy in line with Global Compact principles and overseeing its implementation	A message from our Chairman and CEO
Corporate governance structure (Board of Directors or equivalent) and its role in oversight of long-term corporate sustainability strategy and implementation in line with Global Compact principles	Governance
Goals and incentive schemes for management (C-suite) to promote sustainability strategy in line with Global Compact principles	Environmental sustainability: Governance and systems Our People: Policies and systems Training and learning

Criterion 3: Engagement with all important stakeholders

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Regular stakeholder consultations in the area of human rights, labour, environment and anti-corruption	CSV at Nestlé: Stakeholder engagement Memberships Public policy and engagement Water: Public policy engagement Collective Action Rural development: Farmer programmes Community engagement Responsible Sourcing Audit Programme Responsible Sourcing Traceability Programme Environmental sustainability: Collaborative work on policy and advocacy Our people: Assessing and Addressing Human Rights Impacts Employee engagement

List of stakeholder groups engaged by the organisation	Stakeholder engagement
Process for stakeholder identification and engagement	Stakeholder engagement Stakeholder convenings CSV Forum 2011 Stakeholders were identified using Nestlé’s material issues and the key focus areas for the Creating Shared Value report.
Outcome of stakeholder involvement	Stakeholder engagement Stakeholder convenings CSV Forum 2011
Process of incorporating stakeholder input into corporate strategy and business decision making	Stakeholder engagement

UN Goals and Issues

Criterion 4: Actions taken in support of broader UN goals and issues

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Adoption or modification of business strategy and operating procedures to maximise contribution to UN goals and issues	Global principles and goals
Development of products, services and business models that contribute to UN goals and issues	Global principles and goals
Social investments and philanthropic contributions that tie in with the organisation’s core competencies, operating context and sustainability strategy	Global principles and goals
Public advocacy on the importance of one or more UN goals /issues	Public policy and engagement Water: Public policy engagement CEO Water Mandate
Partnership projects and collective actions in support of UN goals/issues	UN MDGs Water : Collective action

Human Rights Implementation

Criterion 5: Robust commitments, strategies or policies in the area of human rights

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Commitment to comply with all applicable laws and respect internationally recognised human rights, wherever the company operates (e.g. the Universal Declaration of Human Rights).	Human rights and labour rights Human rights Performance and initiatives Rural development: Promoting human rights among suppliers Community engagement
Statement of policy expressing commitment to respect and support human rights approved at the most senior level of the company	Human rights and labour rights Human rights Rural development: Promoting human rights among suppliers Community engagement
Statement of policy stipulating human rights expectations of personnel, business partners and other parties directly linked to operations, products or services	Human rights and labour rights Human rights Rural development: Promoting human rights among suppliers Community engagement
Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties	Human rights and labour rights Human rights Rural development: Promoting human rights among suppliers Community engagement

Criterion 6: Effective management systems to integrate the human rights principles

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Ongoing due diligence that includes an assessment of actual and potential human rights impacts	Human rights Community engagement
Internal awareness-raising and training on human rights for management and employees	Human rights Performance and initiatives
Operational-level grievance mechanisms those potentially impacted by the company's activities	Human rights and labour rights Performance and initiatives
Allocation of responsibilities and accountability for addressing human rights impacts	Human rights Performance and initiatives
Internal decision-making, budget and oversight for effective responses to human rights impacts	Human rights
Processes to provide for or co-operate in the remediation of adverse human rights impacts that the company has caused or contributed to	Human rights

Criterion 7: Effective monitoring and evaluation mechanisms of human rights integration

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
System to monitor the effectiveness of human rights policies and implementation, including in the supply chain	Human rights
Monitoring drawing from internal and external feedback, including affected stakeholders	Human rights
Leadership review of monitoring and improvement results	Human rights
Process to deal with incidents	Human rights

Criterion 8: Key outcomes of human rights integration

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Outcomes of due diligence process	Human rights
External and formal reporting of operations or operating contexts that pose risks of severe human rights impacts	Human rights
Disclosure of main incidents involving the company	Human rights
Outcomes of processes of remediation of adverse human rights impacts	Human rights

Labour Principles Implementation

Criterion 9: Robust commitments, strategies or policies in the area of labour

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Reference to relevant international conventions and other international instruments (e.g. ILO Core Conventions)	Human rights and labour rights
Reflection on the relevance of the labour principles for the company	Materiality matrix
Written company policy (e.g., in code of conduct) on labour	Our people: Policies and systems
Inclusion of minimum labour standards in contracts with suppliers and other relevant business partners	Vendor approval process
Specific commitments and goals for specified years	Labour practices

Criterion 10: Effective management systems to integrate the labour principles

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Risk and impact assessments in the area of labour	Human rights
Regular stakeholder consultations regarding labour	Employee engagement Labour practices Human Rights
Allocation of responsibilities and accountability within the organisation	Governance
Internal awareness-raising and training on labour principles for management and employees	Training and learning
Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice	Human rights and labour rights
Audits or other steps to monitor and improve the performance of companies in your supply chain	Responsible sourcing audit programme

Criterion 11: Effective monitoring and evaluation mechanisms of labour principles integration

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
System to track and measure performance based on standardised performance metrics	Human Rights, monitoring our performance
Audits or other steps to monitor and improve the labour performance of companies in the supply chain	Responsible sourcing audit programme
Leadership review of monitoring and improvement results	Human Rights Labour Practices
Process to deal with incidents	Labour practices

Criterion 12: Key outcomes of integration of the labour principles

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Outcome of due diligence and follow-up efforts to uphold the freedom of association right to collective bargaining	Performance and challenges
Outcome of due diligence and follow-up efforts to eliminate forced labour	Implementing the Nestlé supplier code Human rights – Performance and initiatives FLA summary (hazelnuts)
Outcome of due diligence and follow-up efforts to abolish child labour	Implementing the Nestlé supplier code Human rights – Performance and initiatives FLA summary (hazelnuts)
Outcome of due diligence and follow-up efforts to eliminate discrimination	GRI Content index – Human rights: Disclosure on Management Approach and indicator HR4- Human rights – Performance and initiatives
Disclosure of main incidents involving the company	Labour practices

Environmental Stewardship Implementation

Criterion 13: Robust commitments, strategies or policies in the area of environmental stewardship

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development)	Biodiversity
Reflection on the relevance of environmental stewardship for the company	Context and challenges
Written company policy on environmental stewardship	The Nestlé Policy on Environmental sustainability
Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners	Vendor approval process
Specific commitments and goals for specified years	Overview

Criterion 14: Effective management systems to integrate the environmental principles

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Environmental risk and impact assessments	Climate change
Assessments of lifecycle impact of products, ensuring environmentally sound end-of-life management policies	Life cycle approach
Allocation of responsibilities and accountability within the organisation	Governance and systems
Internal awareness-raising and training on environmental stewardship for management and employees	Governance and systems
Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts	Integrity Reporting System Anti-corruption

Criterion 15: Effective monitoring and evaluation mechanisms for environmental stewardship

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
System to track and measure performance based on standardised performance metrics	Performance
Leadership review of monitoring and improvement results	Governance and systems
Process to deal with incidents	Governance and systems
Audits or other steps to monitor and improve the environmental performance of companies in the supply chain	Governance and systems

Criterion 16: Key outcomes of integration of the environmental principles

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Indicators on uses of materials and energy	Key performance indicators
Indicators on emissions, effluents and waste	Key performance indicators
Indicators on the company's initiatives to promote greater environmental responsibility	Key performance indicators
Indicators on the development and diffusion of environmentally friendly technologies	Key performance indicators
Disclosure of main incidents involving the company	Environmental sustainability – Governance and systems – Monitoring and follow-up. GRI content index – Emissions, effluents and waste

Anti-Corruption Implementation**Criterion 17: Robust commitments, strategies or policies in the area of anti-corruption**

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Publicly stated formal policy of zero-tolerance of corruption (D1)	Anti-corruption
Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes (B2)	Anti-corruption
Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption (D2)	Global principles and goals- GRI content index – Corruption Anti-corruption
Carrying out risk assessment of potential areas of corruption (D3)	Anti-corruption--
Detailed policies for high-risk areas of corruption (D4)	Our Corporate Business Principles- GRI content index – Corruption Anti-corruption
Policy on anti-corruption regarding business partners (D5)	Supplier code and responsible sourcing-

Criterion 18: Effective management systems to integrate the anti-corruption principle

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Support by the organisation's leadership for anti-corruption (B4)	Anti-corruption
Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees (B5 + D8)	Anti-corruption
Internal checks and balances to ensure consistency with the anti-corruption commitment (B6)	Anti-corruption
Actions taken to encourage business partners to implement anti-corruption commitments (D6)	Responsible Sourcing Audit Programme Responsible Sourcing Traceability Programme Supplier compliance--
Management responsibility and accountability for implementation of the anti-corruption commitment or policy (D7)	Anti-corruption
Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice (D9)	Anti-corruption Human rights and labour rights
Internal accounting and auditing procedures related to anti-corruption (D10)	Our Corporate Business Principles CARE Audit Programme

Criterion 19: Effective monitoring and evaluation mechanisms for the integration of anti-corruption

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Leadership review of monitoring and improvement results (D12)	Anti-corruption GRI content index – Corruption
Process to deal with incidents (D13)	Anti-corruption
Public legal cases regarding corruption (D14)	Anti-corruption
Use of independent external assurance of anti-corruption programmes (D15)	Our Corporate Business Principles CARE Audit Programme Anti-corruption

Criterion 20: Key outcomes of integration of the anti-corruption principle

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Outcomes of assessments of potential areas of corruption, where appropriate (Ref. D3)	Our Corporate Business Principles CARE Audit Programme
Outcomes of mechanisms for reporting concerns or seeking advice (Ref. D9)	n/a (Zero incidents in 2011, therefore no actions/outcomes arising)
Indicators of Human Resources procedures supporting the anti-corruption commitment or policy	Anti-corruption – our performance
Disclosure of main incidents involving the company	Zero allegations of incidents against employees and Nestlé in 2011

Value Chain Implementation

Criterion 21: Implementation of the Global Compact principles in the value chain

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Analysis of sustainability risk, opportunity and impact in the value chain, both upstream and downstream	CSV at Nestlé
Policy on value chain, including a policy for suppliers and subcontractors	Rural development: Impact of our factories Vendor approval process Implementing the Nestlé Supplier Code
Communication of policies and expectations to suppliers and other business partners	Rural development: Vendor approval process Implementing the Nestlé Supplier Code
Monitoring and assurance mechanisms (e.g. audits/screening) for compliance in the value chain	Responsible Sourcing audit programme
Awareness-raising, training and other types of capacity building with suppliers and other business partners	Rural development : Farmer programmes, Implementing the Nestlé Supplier Code, Rural development impacts of our factories

Transparency and Verification

Criterion 22: Company profile and context of operation

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Legal structure, including any group structure and ownership	Annual Report and Accounts Consolidated Financial Statements
Countries where the organisation operates, with either major operations or operations that are specifically relevant to sustainability	Global Presence Annual Report and Accounts
Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Global Presence Annual Report and Accounts
Primary brands, products, and/or services	Our Brands Annual Report and Accounts
Direct and indirect economic value generated for various stakeholders (employees, owners, government, lenders, etc.)	Key figures Investors Annual Report and Accounts

Criterion 23: High standards of transparency and disclosure

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
COP uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines	About our reporting
COP qualifies for Level B or above of the GRI application levels	About our reporting
COP includes comparison of key performance indicators for the previous 2-3 years	Key performance indicators
Board, where permissible, approves COP and other formal reporting on corporate sustainability	Yes
Relevant sustainability information from COP is included in annual financial report and filings	Yes

Criterion 24: Independently verified by a credible third party

<i>Best practices</i>	<i>Creating Shared Value Report links</i>
Accuracy of information in COP is verified against assurance standard (e.g. AA1000 Assurance Standard, ISAE 3000)	Assurance statement
Accuracy of information in COP is verified by independent auditors (e.g. accounting firm)	Assurance statement
Content of COP is independently verified against content standards (e.g. GRI Check)	Global Reporting Initiative
Content of COP is reviewed by a multi-stakeholder panel or peers (e.g. Global Compact Local Network)	--

Required: Upload the COP as a PDF file

Language: English

Before submitting this COP and the self-assessment, please confirm that your company meets all 24 criteria for the GC Advanced level and that the COP describes implementation of all criteria and relevant best practices selected in the self-assessment.

Contact information

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Additional Criteria for Global Compact LEAD Self-Assessment

Taking Action In Support of Broader UN Goals and Issues

1. Core Business Contributions to UN Goals and Issues

Align core business strategy with one or more relevant UN goals/issues.	A message from our Chairman and CEO
Develop relevant products and services or design business models that contribute to UN goals/issues.	A message from our Chairman and CEO
Adopt and modify operating procedures to maximise contribution to UN goals/issues	A message from our Chairman and CEO

2. Strategic Social Investments and Philanthropy

Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company as an integrated part of its sustainability strategy.	Nestle Prize in CSV
Coordinate efforts with other organisations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.	Stakeholder engagement
Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups.	Community engagement

3. Advocacy and Public Policy Engagement

Publicly advocate the importance of action in relation to one or more UN goals/issues.	A message from our Chairman and CEO, Nestlé and the United Nations Millennium Development Goals 2010
Commitment by company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/issues.	Stakeholder engagement Public policy and engagement Nestlé and the United Nations Millennium Development Goals 2010 CEO Water Mandate

4. Partnerships and Collective Action

Develop and implement partnership projects with public or private organisations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy.	Stakeholder engagement CEO Water Mandate
Join industry peers, UN entities and/or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives that extend the company's positive impact on its value chain.	Stakeholder engagement CEO Water Mandate

Engaging with the UN Global Compact

1. Local networks and Subsidiary Engagement

Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.	UN Global Compact – Demonstrating leadership locally
Encourage subsidiaries to engage with UN Global Compact Local Networks and to actively participate in events and activities.	UN Global Compact – Demonstrating leadership locally
Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.	UN Global Compact

2. Global and Local Working Groups

Participate in relevant global or local working groups and dialogue on experiences, networks, tools and good practices with other UN Global Compact participants.	Stakeholder engagement CEO Water Mandate UN Global Compact LEAD, UNGC Working Groups, Local Networks
Actively participate in defining scope and objectives of new working groups when relevant.	Memberships

3. Issue-Based and Sector Initiatives

Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO Water Mandate, Women's Empowerment Principles, and global Business Initiative on Human Rights.	UN Global Compact CEO Water Mandate UN Millennium Development Goals
Spearhead need-driven development of new issue-based or sector initiatives within the UN Global Compact and the wider United Nations.	CEO Water Mandate UNGC Lead UN Millennium Development Goals Human rights and labour rights

4. Promotion and Support of the UN Global Compact

Advocate for engagement with the UN Global Compact to business partners, peers and the general public.	Stakeholder engagement CEO Water Mandate
Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.	Stakeholder engagement CEO Water Mandate
Participate in activities to further develop and strengthen the UN Global Compact.	Stakeholder engagement CEO Water Mandate UNGC LEAD