

Creating Shared Value

Creating Shared Value is a principle for doing business founded on the conviction that shareholder interests and the interests of society must be aligned in order to achieve long-term business success. Creating Shared Value which is integrally linked to our core business strategies and operations means going beyond sustainability, to create value for shareholders and society.



**Creating value
for shareholders**

**Creating value
for society**



Nestlé conducts its business according to the Nestlé Corporate Business Principles and the Nestlé Code of Business Conduct, as well as complying with external legislation. We also voluntarily support the ten principles of the UN Global Compact (page 21) and international certification standards such as ISO 14001 for environmental management, and OHSAS 18001 for occupational safety. By operating in line with the goals of sustainable development, we aim to ensure that our actions today do not compromise the needs of tomorrow. But we believe our role can go further, in generating value for society at the same time as we generate value for our shareholders.

Nestlé's compliance with external and internal laws and principles, and our social and environmental commitments, are the basis for Creating Shared Value for stakeholders at each stage of the value chain, including:

Shareholders

Nestlé's financial performance is detailed throughout this report.

Employees

Nestlé employs 283 000 people worldwide, of whom approximately half are in developing countries. In 2008, we paid salaries amounting to CHF 16 billion.

Communities

Nestlé's total capital expenditure is CHF 4.9 billion, of which CHF 1.7 billion is in developing countries. In China, for example, Nestlé's investment began two decades ago. Since then the Company has opened 19 factories in 18 different sites across the country and now employs around 13 000 people. In 2008 we opened a new R&D centre in Beijing focused on food safety and quality with an investment of over CHF 11 million. This brings the company's total R&D investment in China to CHF 21 million and the number of Nestlé Research employees in China to over one hundred.

Nestlé also funded social and environmental projects worth CHF 50.7 million globally this year, and we loaned CHF 30 million in microcredit to farmers worldwide.

Suppliers

Nestlé does business with around 165 000 suppliers, and purchased CHF 22.5 billion of raw materials in 2008.

Governments

We paid CHF 3.2 billion in income taxes.

Creating Shared Value Three Areas of Focus

While we create shared value in many ways, there are three areas of focus which distinguish Nestlé from other companies:

- **Nutrition:** Nestlé is the world's foremost Nutrition, Health and Wellness company, and the primary value created for consumers is better nutrition. The companion report, *Creating Shared Value: Nutritional needs and quality diets*, describes the extensive work which Nestlé does in improving nutrition globally;
- **Water:** Water is key to ensuring the future of our business, and for global food security. It is a key focus for our operations;
- **Rural development:** Nestlé works directly with almost 600 000 farmers to increase their productivity, thereby raising their standard of living and our access to quality raw materials. Most of our factories are in rural areas, which serve as platforms for economic development in the surrounding region.

Nestlé seeks ongoing feedback on its Creating Shared Value reporting and we make improvements in suggested areas. For example, in this section we provide more detail on our main sustainability challenges and describe our risk management process more fully. Furthermore, we continue to improve our performance monitoring

by refining and developing key indicators. Last but not least, we have provided more examples to demonstrate how we comply with all relevant industry regulations and standards. We have further to go with our reporting, particularly in quantifying the societal outcomes of our Creating Shared Value initiatives, and this will form part of our future plans.

Highlights

- We made significant improvement in workplace safety performance across the Company (page 20);
- Our supply chain initiatives were strengthened with the launch of our new Supplier Code (page 16);
- We continued to expand programmes that benefit farmers and their families (page 16);
- We met our target for total water withdrawal by tonne of product (page 18).

Challenges

- We fell short of our target for energy consumption per tonne of product, due to higher volumes in more energy intensive categories (page 18);
- We continue to communicate the proven consumer and health benefits of bottled water while also making progress on our environmental commitments (pages 20 and 44).

Creating Shared Value Highlights

Reducing our environmental footprint and reducing operational costs

68%
Increase in production volume since 1999

20%
Reduction of packaging material for bottled water in the five years to end 2008

58%
Water saved since 1999 per tonne of product

48%
Reduction of greenhouse gas emissions per tonne of product since 1999

Improving workers' earning capacity and creating a skilled workforce

42%
In developing countries, local Management Committee members who are nationals of the country

70 167
Number of employees in developing countries who received formal classroom training

25%
Leadership positions held by women

Helping farmers improve earnings and ensuring our supply of quality raw materials

594 223
Number of farmers receiving technical assistance

30 million
Value of microcredits to farmers in 2008, in CHF

Improved nutrition for the consumer and increasing sales and profitability for Nestlé

6254
Number of products renovated for nutrition and health considerations in 2008

11 million
Predicted number of additional low-income consumers using Nestlé fortified milk products by end 2011

Creating Shared Value at each stage of the value chain



Key initiatives

Creating Shared Value initiatives include:

- Helping to develop the dairy industry in East Africa (page 33);
- Supporting cocoa farmers (pages 17 and 53);
- Nespresso AAA coffee: sustainability in the brand DNA (page 40);
- *Häagen-Dazs*: helping prevent the decline of honey bees (page 49);
- Responsible agricultural sourcing (page 47);
- Creating jobs in emerging economies (page 33);
- Improving nutrition with Popularly Positioned Products (page 38);
- Bringing clean water to communities (page 21);
- Packaging eco-design (page 20);
- Innovations in bottled water packaging: examples from the USA (page 44);
- Measuring the corporate water footprint (page 46);
- Capturing energy and avoiding waste: "Java Log®" (page 46);
- Out-of-home leadership (page 38).

Nestlé's initiatives in health and nutrition – on topics including obesity and malnutrition – are covered in depth in our companion report, *Creating Shared Value: Nutritional needs and quality diets*.

Agriculture and rural development Responsible Sourcing

Beyond our own sites, we are increasingly focusing on social and environmental standards in our supply chain. In July 2008 we launched the Nestlé Supplier Code to communicate and reinforce our expectations. Our Code covers all suppliers and is accessible in multiple languages via our website (www.nestle.com/suppliers). More than 120 000 suppliers have received the Code to date and acknowledged it by fulfilling purchase orders or contracts that refer to the Supplier Code.

With regard to ensuring compliance with the requirements of the Code, Nestlé is committed to achieve

maximum efficiency for suppliers: Nestlé is an active member of the PROGRESS taskforce of AIM (the European Brands Association) and GMA (The Association of Food, Beverage and Consumer Products Companies) dedicated to improving the effectiveness and efficiency of the evaluation process in the supply chain. Nestlé manages suppliers' compliance using common industry standards and protocols. This approach helps to achieve broad improvements and avoid multiple assessments for suppliers.

Supporting farmers

Nestlé's long-term commitment to working directly with small farmers continued in 2008. Today, Nestlé works with almost 600 000 farmers globally, providing free technical assistance and around CHF 30 million of microloans each year. This approach is central to Nestlé's milk strategy, ensuring a stable, safe and high-quality supply without involving middlemen. By adapting the systematic approach of the Swiss Milk District System to dairy farming in developing countries around the world, Nestlé contributes to poverty reduction and improved nutrition on a large scale, and creates significant, long-term business success. The result has been a significant improvement in the income of small dairy farmers, who generated 5 million tonnes of locally sourced milk through milk districts in 2007. Nestlé's experience in assisting farmers and creating a dairy industry has been replicated in 29 countries to date, from Inner Mongolia in China to East Africa – where new plans are in place to support the development of the dairy industry in Kenya and Uganda (page 33). In each case, as Nestlé has prospered, so has the community.

Nestlé works with tens of thousands of coffee growers as well, to help them improve the quality and quantity of their production, protect the environment, and bring about better social conditions. For example, *Nescafé Partners' Blend* and *Nespresso* incentivise growers by paying premium

prices for the highest-quality coffee produced in line with sustainability criteria, benefiting farmers and consumers and providing Nestlé with higher-quality coffee (page 40).

Nestlé also actively participates in programmes in the cocoa supply chain. With the International Cocoa Initiative (ICI) and the World Cocoa Foundation we are working to improve small growers' incomes, eliminate unacceptable child labour, and give children better access to education. In Côte d'Ivoire (producer of about 40% of the world's cocoa) farmers' yields and crop quality have been declining. Nestlé is working with three cooperatives in a pilot project to improve yields and social conditions. Nestlé has also joined UTZ, a leading certification initiative in which several industries are participating. All these initiatives are designed to contribute to more sustainably produced cocoa, so safeguarding the availability of quality cocoa for the long term, and improving farming communities' earnings and quality of life.

1

Vietnam

Picking coffee near Dak Lak, that will be used to supply the *Nescafé* factory in Ho Chi Minh City.

2

Côte d'Ivoire – Harvesting cocoa

Nestlé is funding a three-year sustainable cocoa project with three cooperatives of about 3000 farmers.

3

Erguna, Inner Mongolia, China

Dairy farmers delivering their milk to the new Nestlé collection station.



1

2



3



Environment, manufacturing and people

Our key environmental sustainability challenges are water conservation (our top environmental priority), energy efficiency and climate change, and packaging. For a full set of environmental indicators, see page 76.

Water conservation and management

Nestlé's approach starts with good water management in our own operations. We achieved our water targets for 2008 and reduced water withdrawal per tonne of production by 6% – part of a long-term approach that has seen us reduce water withdrawals per tonne of product by 58% since 1999. We aim to achieve a further water efficiency improvement of at least 10% over the next five years. In relation to bottled water, it now takes 1.76 litres of water to produce 1 litre, a fall of 26% since 1999. This compares favourably with other packaged beverages.

Establishing the water footprint of companies and products is a complex science in its infancy. This year we began participating with industry, NGO and academic partners to develop a sound basis for measurement that can lead to further performance improvements (page 46).

From as early as 1929, Nestlé has installed water treatment plants in its operations. 68% of our factories now operate such plants, which often go beyond local legislation, with 98% treating their water on-site or via off-site facilities. In line with international water quality standards, we remove 96% of the organic load in the water used in our production processes before returning it to the environment.

Agriculture accounts for 70% of global fresh water withdrawals and Nestlé agronomists are supporting farmers to adopt good practices. In Shuangcheng, China, we are helping dairy farmers to manage effluent correctly. In Ethiopia, El Salvador, Mexico and Nicaragua, we have helped coffee growers save up to 90% of the

water used in the washing and pulping of coffee cherries – one of the most potentially wasteful uses of water.

Through community partnerships this year, we helped provide access to clean water to 22 000 in Rwanda. We are completing a project with the International Federation of Red Cross and Red Crescent Societies (IFRC) in Côte d'Ivoire, developing the Ivorian Red Cross water and sanitation response capacity and providing clean water and sanitation for 50 000 people. Another IFRC water and sanitation project for schools in the country's cocoa-growing belt will be carried out in 2009.

Our Chairman, Peter Brabeck-Letmathe, has consistently championed water sustainability issues. This effort contributed to water being discussed at the January 2008 World Economic Forum's meeting in Davos. Nestlé has also repeatedly called for water to be given a higher priority and has drawn attention to the serious impact on water resources from biofuels. We have also called for more investment in water infrastructure at country and city level, and better management, governance and pricing of water.

In July 2007, our Chairman was one of several founder signatories of the UN Global Compact CEO Water Mandate, and by August 2008 this had been endorsed by 32 business leaders. The Group has recently held working conferences on water footprinting and supply chain, and made a submission to the G8 calling for priority to be given to managing water resources.

Energy efficiency and climate change

Nestlé's energy management strategy is based on continuous improvement and innovation and seeks to achieve reductions in energy usage, cost and greenhouse gas emissions. In 2008 energy consumption differences in our product mix meant we did not achieve our expected overall energy performance target. Going forward, we will investigate setting energy

consumption targets by product categories as we seek to achieve energy efficiency improvements of at least 5% in each of our key product categories over the next five years.

We published 2007 data on both direct and indirect energy consumption and CO₂ emissions for the first time in 2008. While this was an important step forward, we initially met challenges with definitions and data collection, which have now been rectified.

Nestlé's direct carbon footprint comes mainly from its factories. Although transport and logistics account for less than 10% of total direct CO₂ emissions, we will survey these areas in order to identify future potential reductions in cost, fuel consumption and GHG emissions. At present, we estimate that our transport fleet drove approximately 300 million km in 2008, producing about 250 000 tonnes CO₂.

Externally, Nestlé continued to participate in the Carbon Disclosure Project (CDP), the leading international forum for reporting progress and sharing good practice. As a founder member of the CDP's Supply Chain Leadership Collaboration group we are working to extend this group's scope to include water issues. In order to help develop relevant metrics for the industry, we are also participating in the Global Reporting Initiative (GRI) Food Processing Sector Supplement Working Group.

1

Peter Brabeck-Letmathe

Our Chairman contributed to water being discussed at the World Economic Forum, in Davos, Switzerland.



1

2

Brazil, Feira de Santana

In the context of increased production, we have reduced our global energy use by 42% per tonne of product over the past ten years.



2

3

Shuangcheng, China

Nestlé has installed water treatment plants in its operations, which often go beyond local legislation.

3



Eco-efficient packaging

Packaging is essential for food safety. It also helps to avoid wastage before and after purchase by maintaining freshness for the consumer. Our strategy is based on optimising materials, developing eco-efficient packaging, and providing meaningful information to consumers on recycling and disposal. A key initiative this year was our collaboration on PIQET, an important new packaging eco-design tool adopted by Nestlé. Design and technology innovations go hand in hand in order to reduce environmental impacts without compromising consumer needs. Our new *Nestlé NaturVes* babyfood pot is not only convenient and easy to use but requires less energy and produces fewer CO₂ emissions over its life cycle than the previous glass jar (page 45).

Nestlé Waters' lightweight EcoShape bottle is another step forward in reducing packaging materials, and is just one example of progress made since 1991, when Nestlé began a continuous review of packaging reduction opportunities in all its businesses. As a result, we have reduced the volume of packaging material used per litre of bottled water by 19.6% over the last five years, saving 43 792 tonnes of packaging material in 2008 alone. Worldwide, the Goup's total packaging material savings from 1991 to 2008 amounted to 392 000 tonnes and CHF 683 million.

Complying with environmental standards

An updated Nestlé Policy on Environmental Sustainability (www.nestle.com/csv/environment), first published in 1991, was launched in 2008 to expand Nestlé's environmental commitments. This policy and the Nestlé Environmental Management System, which is aligned with ISO 14001 requirements, define our commitments, principles and procedures for environmental protection and performance improvement, including compliance

with applicable regulations and our own internal standards.

In 2008 Nestlé was fined seven times for infringement of environmental regulations, amounting to CHF 34 312. Remedial action has been instigated to prevent future occurrences.

241 Nestlé factories (53%) are now certified to ISO 14001, the leading international environmental standard (2007: 101/22%).

Employee and contractor health and safety

Nestlé has achieved very important reductions in workplace accidents for more than a decade by systematically improving safety culture, attitudes and behaviours, achieving factory certifications to OHSAS 18001 (the leading occupational safety standard), and monthly monitoring of safety indicators at corporate, market and site level. In the last five years alone the Lost Time Injury rate has fallen by 70%.

An updated Nestlé Policy on Safety and Health at Work (www.nestle.com/people/safety) was issued in 2008 to reiterate that employee safety is our top priority and to promote higher standards in our supply chain. Our large-scale operations make it necessary to give particular attention to safe driving. In order to reduce the risk of traffic accidents for employees and contractors, we rolled out a global, Company-wide safe driving programme covering all operating regions.

Workplace safety performance

- Notwithstanding our constant attention to safety, Nestlé was the object of 7 health & safety fines for a total amount of CHF 79 200 in 2008;
- Despite our best efforts to prevent accidents and to our deepest regret, 13 fatalities occurred in 2008 (2007: 15). 4 employees and 2 contractors were fatally injured on site. In addition, 6 employees died in road traffic accidents; and another in a fall off-site.

Our constant goal is zero accidents. We have made important reductions

in our injury rates and continue to invest in training and best practices to accelerate this trend. Our aim is to be among the leaders in our industry peer group by 2012, which implies no more than one lost time injury per million hours worked.

Products and consumers

Responsible consumer communications

Our approach is enshrined in the Nestlé Corporate Business Principles (www.nestle.com/AllAbout) and Consumer Communication Principles, supported by compliance guidelines for marketing staff and advertising agencies. In July 2007, Nestlé strengthened its commitments towards children with two provisions to be implemented in all countries by the end of 2008: (1) no advertising or marketing activity to be directed at children under 6 years old; (2) advertising for children from 6 to 12 years to be restricted to products with a nutritional profile that helps achieve a healthy balanced diet.

Nestlé also participates in industry initiatives including the European Advertising Standards Alliance (EASA). In 2008, all the 84 Nestlé advertisements monitored by EASA complied. In addition, Nestlé has, to date, joined five voluntary, independently monitored initiatives at a national and regional level. These are the "EU Pledge", the "Thai Pledge", and the Children's Food and Beverage Advertising Initiatives in Australia, Canada and the United States.

Read more at www.nestle.com/SharedValueCSR/ProductsAndConsumers/MarketingAndCommunications/MarketingAndAdvertising.htm

1

Pakistan

Some of the 4000 women livestock workers trained as part of this UNDP-Nestlé partnership learn about correct water management on their dairy farms.

2

Côte d'Ivoire

A Nestlé-sponsored farmer field school in Norbertkro teaches responsible labour practices, the importance of schooling for children and sustainable farming methods.

3

Rwanda

A Nestlé-sponsored community based clean drinking water project in partnership with the Lutheran World Federation and Interfaith Action for Peace in Africa at Kirehe, which reaches approximately 22 000 villagers.

1, 2



UN Global Compact Principles

Examples of progress 2008

Human Rights

Initiated a Human Rights Compliance Assessment with the Danish Institute for Human Rights (DIHR), in order to evaluate potential human rights and labour rights risks in corporate policies or monitoring systems.

Labour

In addition, we launched the new Nestlé Supplier Code, which has provisions on working hours, compensation and non-discrimination; prohibits prison labour, forced labour and child labour; and states Nestlé's rights to audit, request corrective measures and terminate contracts.

Environment

Updated Nestlé Policy on Environmental Sustainability to expand commitments. Enhanced measurement of carbon footprint and energy efficiency by reporting indirect energy consumption and CO₂ emissions for the first time.

Anti-corruption

Rolled out a new e-learning tool on anti-trust to reinforce the principles of the Nestlé Code of Business Conduct among employees. We also translated and disseminated the Code in six languages and started developing concepts for an e-learning module specifically on anti-corruption.

UN Millennium Development Goals

Examples of progress 2008

Poverty and hunger

Invested CHF 50.7 million in community projects.

Education

Cote d'Ivoire cocoa supply chain: sponsored programmes to improve children's access to education and raise awareness in local communities to prevent the worst forms of child labour.

Water conservation and education: continued to share expertise and good practice with almost 600 000 farmers worldwide; continued to support Project WET, which to date has trained over 400 000 teachers and reached several million children in over twenty countries.

Gender equality

In rural Pakistan, we continued a joint initiative with the United Nations Development Programme to empower 4000 female dairy farmers with the skills and knowledge needed to improve the quality and value of their milk yields.

HIV/AIDS, malaria and other diseases

Continued financial support for the development of the IFRC's global HIV/AIDS training materials.

Environment

Provided funding and support for projects to deliver clean water to villages in Rwanda and Côte d'Ivoire.

Global partnerships

Nestlé supports international sustainable development initiatives including the IFRC, Common Code for the Coffee Community (4C), International Cocoa Initiative, and the UNGC CEO Water Mandate.

3



Widening access to affordable food

Through Popularly Positioned Products (PPPs) we continue to widen access to high-quality, nutritious and affordable food. It is estimated that micronutrient deficiencies account for over 7% of the global incidence of disease. By adding micronutrients to our PPPs we are helping to address the most prevalent deficiencies. In emerging markets, for example, Nestlé is making safe, nutritionally fortified milks readily accessible to lower-income families.

Please see our companion report, *Nutritional needs and quality diets*, for many other examples of how Nestlé is Creating Shared Value for consumers.

Compliance and Engagement UN Global Compact Principles and Millennium Development Goals

Nestlé Corporate Business Principles have incorporated the 10 UN Global Compact (UNGC) Principles since 2002. In partnership with others (for example, the International Cocoa Initiative), we also contribute towards the UN Millennium Development Goals.

Risk management and compliance

Nestlé's established risk management process supports early risk anticipation, identifies mitigating actions to manage emerging issues and enables sound business decisions to be made. The process identifies for the Executive Board those risks which require closer attention and management in the short term. Scenarios such as climate change and shifts in farming practice are analysed, together with other external factors that might lead to significant fluctuations in the price and availability of raw ingredients and packaging materials. The risk management process also covers major capital expenditure and other important projects.

In addition, the Operations Sustainability Council and the Issues Round Table, both of which are chaired by members of the Executive Board, identify and manage challenges in the medium to longer term. Key issues which have been identified through these fora are: environmental sustainability – particularly water conservation, energy efficiency and climate change; the sustainability of agricultural raw materials; and supply chain standards including human rights and working conditions. There are examples throughout this report of how we are responding to these challenges.

Complying with Nestlé Corporate Business Principles

CARE is Nestlé's group-wide integrated programme which verifies, through three leading, independent international certification bodies, that our operations comply with local legislation and with the Nestlé Corporate Business Principles. CARE audits are carried out on a three-yearly basis. Since July 2005, when the programme was initiated, over 490 sites have completed CARE audits. We aim to extend CARE to all Nestlé employees and all sites owned or operated by Nestlé by the end of 2010.

CARE findings are classified in three categories: "minor" (isolated and non-repetitive); "major" (systematic and repetitive); and "critical" (exceptional requiring immediate notification to Nestlé Compliance Committee). Out of 490+ sites reports (as of end December 2008), there were no critical findings in any of the assessment criteria. 91% of findings were classified as minor and 9% as major. The CARE action plans are followed up and monitored through line management. Group Internal Audit then follows up on CARE corrective actions when it visits the sites.

Public engagement principles

We engage in ongoing dialogue with a wide variety of stakeholders. This includes: government and regulatory authorities in order to promote and implement sound legislation and regulation; non-governmental organisations that are committed to constructive engagement and principled behaviour; academic and professional bodies to foster new knowledge; and local communities to promote their well-being.

1

Colombia, educating workers on quality and safety

An employee checks his clothing before entering a sanitised area in the Dos Quebradas factory.

2

Brazil

Our Direct Store Delivery system ensures that affordable, nutritious Popularly Positioned Products are available to consumers from lower income groups.

3

Germany, Mainz

Co-generation plant where spent coffee grounds are used as fuel.



1

2



3



Creating Shared Value – Performance summary

Nestlé has developed performance indicators to provide a focus for measuring and reporting Creating Shared Value. The summary below forms part of our communication on progress on the UN Global Compact Principles. Unless stated otherwise, performance indicators are for the year ending 31 December 2008.

Nestlé Creating Shared Value performance indicators

		2007	2008	GRI reference ¹
Manufacturing and our environmental footprint				
Materials	Raw materials and ingredients (except water [see below], million tonnes)	20.48	21.43	EN1
	Packaging materials (million tonnes)	4.08	4.00	EN1
	By-products (for recycling, million tonnes)	1.07	1.11	EN22
	Reduction of by-products (per tonne of product) over 10 years	58%	54%	n/a
	Waste (for final disposal, million tonnes)	0.372	0.410	EN22
	Reduction of waste (per tonne of product) over 10 years	58%	49%	n/a
Energy	Direct energy consumption (Peta Joules)	85.3	86.9	EN3
	Indirect energy consumption (Peta Joules)	63.7	65.3	EN4
	Energy saved (per tonne of product) over 10 years	45%	42%	EN5
Greenhouse gases	Direct CO ₂ emissions (million tonnes) ²	4.13	4.10	EN16
	Indirect CO ₂ emissions (million tonnes)	3.1	3.0	EN16
	Reduction of direct CO ₂ emissions (per tonne of product) over 10 years	53%	48%	EN18
	Reduction of indirect CO ₂ emissions since 2007 (per tonne of product)	n/a	3%	EN4
Water	Total water withdrawal (million m ³)	157	147	EN8
	Water saved (per tonne of product) over 10 years	59%	58%	n/a
	Total water discharge (million m ³)	101	96	EN21
	Quality of water discharged (average mg COD/l)	62	95	EN21
Packaging	Source reduction (thousand tonnes): since 1991	326.3	392.0	n/a
	Source reduction (CHF million): since 1991	583.7	683.0	n/a
	Reduction of packaging weight (per l of product – Nestlé Waters) over 5 years	22%	20%	n/a
Governance	ISO 14001/OHSAS 18001-certified sites (number of certificates)	171	455	n/a
	Sites audited through CARE programme (since July 2005)	403	490	n/a
Our people				
	Workforce size (total number of employees)	276 050	283 000	LA1
	Lost Time Injuries (per million hours worked)	3.7	2.8	LA7
	Total Injury Rate (per million hours worked)	7.5	6.1	LA7
	Leadership positions ³ held by women	24%	25%	LA4
	Local Management Committee members native to country in developing countries	42%	42%	n/a
	Formal classroom training received in developing countries (number of employees)	65 647	70 167	LA10
	Key Business Positions	917	970	n/a
	Employees with potential to fill Key Business Positions	3 247	3 919	n/a
Agriculture and rural development				
	Farmers trained through capacity-building programmes	111 800	158 837	n/a
	Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes	28	32	n/a
	Suppliers audited for safety, quality and processing	3 400	3 417	n/a

¹ GRI = Global Reporting Initiative

² Includes CO₂ from fuel usage, refrigerants and Ozone Depletion Potential (ODP) substances

³ Defined as positions with people management responsibilities

Independent assurance – Preliminary findings statement

Introduction

Bureau Veritas UK has been engaged to provide external assurance to the stakeholders of Nestlé SA (Nestlé), over the Creating Shared Value (CSV) content (presented on pages 12 to 23) and CSV actions as indicated in the Nestlé Management Report 2008 (the Report). The preparation of the Report is the sole responsibility of Nestlé. Our overall aim is to provide reasonable assurance to stakeholders over the accuracy and reliability of the CSV information included in the Report.

Scope and methodology

The scope of the assurance included

1. a review of related activities undertaken by Nestlé over the reporting period January 2008 to December 2008;
2. a limited review of information from external partners relating to materiality assessment and stakeholder convenings;
3. a review of information relating to Nestlé's issues, responses, performance data, case studies and underlying systems to manage such information and data;
4. an evaluation of Safety, Health and Environment (SHE) data and systems;
5. a pilot assessment of the implementation of CSV related policies and processes at the market level.

As part of the scope outlined above, Bureau Veritas undertook the following:

- interviews with key management at Nestlé's head office;
- review of processes for identification and collation of relevant information, report content and performance data from Group operations globally;
- verification of performance data and factual information within the Report;
- visits to approximately 3% of operational sites across nine countries to evaluate the SHE data management systems and data reliability and accuracy;

- a visit to Nestlé South Africa to review the understanding and implementation of market level CSV related processes as presented within the Report.

Preliminary findings

Based on our review, it is our opinion that the Report:

- includes information that is reliable, understandable and clearly presented;
- provides a reasonable account of relevant activities and performance over the reporting period;
- presents a continuation of discussions around issues established during the last CSV report (albeit in a précis format), and as such does not omit any subject area considered to be of material importance although more commentary on performance relating to "Our People" KPIs should have been included;
- demonstrates an improvement on previous reporting by the inclusion in the text of the issues and challenges that Nestlé faces. Additional information provides context and a better understanding of Nestlé's responses to such issues;
- provides an account that is inclusive of related Nestlé activities, although it should be noted that due to the brevity of the CSV content within the Report, all relevant stakeholders concerns cannot be addressed in full.

Pilot assessment of policy implementation in Nestlé Markets

A pilot assessment of the implementation of CSV related policies and programmes within a sample market indicate that Nestlé is taking a proactive approach to issues of material concern. There exists in South Africa a strong regulatory environment in relation to employment and social issues, and Nestlé South Africa is undertaking its activities under

the sphere of Broad Based Black Economic Empowerment at each stage of its value chain as defined by its CSV approach.

Assurance findings are reported in the full assurance statement on nestle.com/csv
Key areas for improvement are reported in the full assurance statement on nestle.com/csv

Considerations and limitations

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

- activities outside the defined reporting period;
- statements of commitment to, or intention to, undertake action in the future;
- statements of opinion, belief and/or aspiration.

Our assurance does not extend to the information hyperlinked from the Report.

Our review was carried out to provide reasonable, rather than absolute assurance and we believe the scope above provides a reasonable basis for our conclusions.

This independent statement of preliminary findings should not be relied upon to detect all errors, omissions or misstatements.

Detailed considerations and limitations are included in the full statement on www.nestle.com/csv

Our statement of independence, impartiality and competence can be found in the full assurance statement on www.nestle.com/csv

*Bureau Veritas UK Ltd.,
London, February 2009*



Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in quality, health, safety, social and environmental management advice and compliance with almost 180 years history in providing independent assurance services and an annual turnover in 2007 of EUR 2.1 billion.

Bureau Veritas has implemented a code of ethics across its business which is intended to ensure that all our staff maintain high standards in their day-to-day business activities. We are particularly vigilant in the prevention of conflicts of interest. We believe our assurance assignment does not raise any conflicts of interest.

Competence: our assurance team completing the work for Nestlé S.A. has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information, systems and processes, and with over 20 years combined experience in this field an excellent understanding of good practice in corporate responsibility reporting and assurance.