



## Nestlé in society

Creating Shared Value and meeting our commitments 2014

Full report

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# Nestlé in society: Creating Shared Value

Nestlé is the leading Nutrition, Health and Wellness company and we are committed to improving people's quality of life at every stage, through science-based innovation. Creating Shared Value is the way we do business, and the way we connect with society. It's an approach based on respect for people, cultures and the natural environment. In this report, we demonstrate how Creating Shared Value continues to shape our business strategy and where it is delivering benefits in society.

## Highlights in 2014

**339 456**

employees globally (total)

**442**

number of factories worldwide<sup>1</sup>

Group sales of

**91.6 billion**

CHF million in 2014 (net)

**16 billion**

total group salaries and social welfare expenses

Over

**1 billion**

servings consumed per day

**98%**

of our children's products met the Nestlé Nutritional Foundation criteria<sup>2</sup> for children at the end of 2014.

**73**

Our Healthy Kids Global Programme reached more than 7.6 million children in 73 countries in 2014.

**73%**

We audited 8 700 of our 10 000 Tier 1 suppliers to date and found 73% fully complied with our Supplier Code.

**38%**

The volume of high-priority categories of raw material that are traceable back to the primary source.

**Leader:** We were ranked number one by the charity Oxfam in its 2014 scorecard, [Behind the Brands](#). The survey scored 10 food and beverage companies on their efforts to improve food security.

**FTSE4Good:** We remain the only infant formula manufacturer included in FTSE's responsible investment index, based on our performance in human rights, labour rights, responsible marketing of breast-milk substitutes and more.

Scale of organisation G4-9

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<sup>1</sup> Total Nestlé Group factories excluding joint ventures.

<sup>2</sup> The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as the World Health Organization and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation status.

## Performance 2014

Organisation	Results
<a href="#">Access to Nutrition Index</a>	In March 2013, Nestlé was ranked one of the top three global food and beverage manufacturers in the 2013 Access to Nutrition Index, a biennial index which benchmarks the world's largest manufacturers on their nutrition-related commitments, practices and performance globally. Nestlé's governance and management systems, and well-structured approach to engagement, were ranked first for governance in our sector.
<a href="#">Climate Disclosure Leadership Index</a>	In October 2014, we received a Climate Disclosure Leadership Index Award from environmental data reporting platform CDP, having achieved a score of 96 out of 100.
<a href="#">CDP Water Programme</a>	The CDP Water programme promotes sustainable corporate water stewardship. Nestlé's response was scored for the first time in 2014 and we received a 'Leadership' rating, with a maximum score of 20. We were recognised for our water strategy and public policy commitments.
<a href="#">Dow Jones Sustainability Indices</a>	The Dow Jones Sustainability Indices measure the performance of the world's sustainability leaders. In 2014, Nestlé maintained a score of 88, placing us second in our industry.
<a href="#">FTSE4Good</a>	Nestlé remains included in FTSE4Good, which measures the performance of companies that meet globally recognised corporate responsibility standards, including clear criteria on the marketing of breast-milk substitutes. In 2014, our practices were audited in 43 countries, including audits from Nestlé Group Audit, Bureau Veritas and PricewaterhouseCoopers.
<a href="#">Oxfam Behind the Brands</a>	In 2014, Nestlé retained the equal lead ranking in Oxfam's Behind the Brands scorecard with Unilever. The scorecard assesses the world's 10 largest food and beverage companies across seven themes, including women in the supply chain, farmers and land rights. We received an overall score of 70% (deemed 'fair'). Our leadership efforts to combat climate change were recognised with a score of 8 out of 10, and we out-performed our peers on water policy, on all but Unilever on workers' rights and received an equal score to Unilever for transparency.



Still at the top of the scorecard, Nestlé leads the way on climate change and water usage, and is one of the most transparent. Nestlé's commitment to support women in its supply chains will go a long way to making a difference for women. Nestlé also progressed on land with its revised sourcing guidelines, and a new policy of zero tolerance for land grabs in its supply chain."

[Oxfam Behind the Brands](#) (04/02/15)



# About this report

Nestlé is the leading global Nutrition, Health and Wellness company, offering more than 2 000 brands. This document is the eighth Nestlé in society: Creating Shared Value annual report we have published. It is designed to improve our transparency with stakeholders, and shares detailed information about our societal and environmental impacts. Together with a report summary and our Annual Report, it forms an integral part of Nestlé's UN Global Compact Communication on Progress. Our reports, case studies, audio content and videos are made available through the [Creating Shared Value](#) section of our website.

## Reporting period and scope

This report covers Nestlé's global operations for the year ending 31 December 2014. It contains data for wholly-owned companies and subsidiaries, excluding joint ventures and suppliers, unless specifically stated. Where we refer to a 'market', this means our business and/or activities at a country level<sup>3</sup>. The term 'zone' refers to a grouping of markets. In 2014, this consisted of Zone Europe, Zone Africa Oceania and Asia, and Zone Americas.

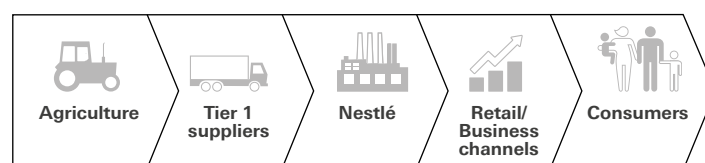
## Global Reporting Initiative

The content of this report is prepared 'in accordance' with comprehensive option of the Global Reporting Initiative's (GRI) G4 guidelines and Food Processing Sector Supplement. This report has been externally assured by Bureau Veritas. This includes assurance of the report meeting the requirements of 'in accordance with comprehensive' GRI G4 guidelines. [A full assurance statement is available](#). We have undertaken a stakeholder led materiality process and 19 material issues were identified as the most material. We report fully against these 19 material issues across our report in line with G4. In addition, to these 19 material issues, as a multi-national business, we recognize that disclosures identified by GRI are relevant to a business of our size and scale, and thus we have chosen to include information against all of them.

## Report boundaries

### Value chain

As part of our materiality analysis, material issues were considered and mapped against the value chain of our business. The process reviewed the degree of importance stakeholders place on issues in different parts of the value chain and where financial, operational and reputational impacts would be felt in the value chain. The results have been used to inform the scope and boundaries of information included in this report.



## Environmental data

Our environmental data refers to factories and warehouses (excluding some recent acquisitions), and safety and health data refers to approximately 339 000 employees.

Nestlé's climate change disclosures were made in conformance with the Climate Disclosure Standards Board (CDSB) framework requirements. We follow the standards of the Greenhouse Gas (GHG) Protocol to establish our GHG inventory, which includes scope 1, 2 and 3 emissions. We use boundaries based on operational control as this better reflects the reality of our business operations. We also refer to our response to the [CDP Investor Information Request](#), which contains comprehensive details of the Group's climate change disclosures and performance.

## Audience

We have identified a wide range of stakeholders who have an interest in this report and hold regular dialogue with them, including NGOs, think tanks, foundations, organisations, governments, socially responsible investors, our consumers and our suppliers.

## Assurance

This report is subject to independent assurance by Bureau Veritas. The aim of this process is to provide reassurance to Nestlé's stakeholders of the accuracy, reliability and objectivity of the reported information, and that it covers the issues material to the business. To view the scope of work and observations, please view the assurance statement on the Nestlé website.

## Currency conversion

All the amounts cited in this report have been converted to Swiss francs (CHF) using the exchange rates as reported in the consolidated financial statements of the Nestlé Group 2014.

## Contact us

We hope you find this report engaging and informative, and we continue to welcome your input and views: [creatingsharedvalue@nestle.com](mailto:creatingsharedvalue@nestle.com)

<sup>3</sup> A market may include more than one country.

# 2014 performance summary

Our key performance indicators help to measure our progress and demonstrate compliance. They are aligned with our Creating Shared Value commitments and the external schemes we report against, including GRI G4 guidelines and indicators. To assist our stakeholders, we have provided a summary table below that lists each KPI against associated GRI G4 indicators and our commitments.

Please see [www.Nestlé.com/csv/2014/kpis](http://www.Nestlé.com/csv/2014/kpis)

Nestlé in society and Creating Shared Value key performance indicator	GRI	2013	2014	Page
<b>Economic</b>				
Total Group sales (CHF million) <sup>(a)</sup>	G4-EC1	92 158	91 612	10
Net profit (CHF million) <sup>(b)</sup>	G4-EC1	10 015	14 456	n/a
<b>Nutrition</b>				
Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria (as % of total sales) <sup>(c)</sup>	G4-EC1	76.0	78.5	48, 52, 53
Renovated products for nutrition or health considerations <sup>(d)</sup>	G4-FP7	7 789	10 812	48, 52, 53, 54, 58
Products with increase in nutritious ingredients or essential nutrients <sup>(d)</sup>	G4-FP7	4 778	6 359	54
Products with reduction of sodium, sugars, trans fats, total fat, calories or artificial colourings <sup>(d)</sup>	G4-FP6	4 221	6 973	52, 53
Products analysed and improved or confirmed via 60/40+ programme (sales, CHF million) <sup>(e)</sup>	G4-PR1	33 001	33 233	52, 53
Products containing Branded Active Benefits (sales, CHF million)	G4-FP7	6 836	6 687	54
Products featuring <i>Nestlé Nutritional Compass</i> labelling (% of sales worldwide) <sup>(f)</sup>	G4-PR3	92.5	92.8	59
Products with Guideline Daily Amounts (GDA) labelling on front of pack (% of sales) <sup>(g)</sup>	G4-PR3	99.3	79.7	59
Products with specific portion guidance (sales, CHF million) <sup>(h)</sup>	G4-PR3	26 700	26 456	60
Popularly Positioned Product SKUs <sup>(i)</sup>	G4-EC1	9 562	5 014	54
Popularly Positioned Products (sales, CHF million)	G4-EC1	11 803	12 205	54
Nestlé television advertising to children under 12 in compliance with policies on responsible marketing (%) <sup>(j)</sup>	G4-PR7	98.3	99.9	75
Contraventions to the Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes <sup>(k)</sup>	G4-PR7	27	29	71
Infant formula marketing staff in higher-risk countries trained on the WHO Code (% of staff) <sup>(l)</sup>	G4-PR6	100	100	71
<b>Rural development</b>				
Farmers trained through capacity-building programmes		300 000	376 000	81, 97
Markets covered by Sustainable Agriculture Initiative Nestlé (SAIN) programmes		48	51	81
Direct procurement markets covered by SAIN programmes (%)		100	100	97
Percentage of suppliers that fully comply with the Nestlé Supplier Code	G4-FP1	74.0	73.0	88
Percentage of purchased volume fully compliant with the Nestlé Supplier Code	G4-FP1	92.0	95.0	88
<b>Water <sup>(m)</sup></b>				
Total water withdrawal (million m <sup>3</sup> )	G4-EN8	152	147	129
Total water withdrawal (m <sup>3</sup> per tonne of product)	G4-EN8	2.92	2.74	129
<b>Environmental sustainability <sup>(m)</sup></b>				
<b>Production volume</b>				
Total production volume (million tonnes)		52.1	53.7	n/a
<b>Materials</b>				
Raw materials used (million tonnes) <sup>(n)</sup>	G4-EN1	25.1	25.8	n/a
Materials for packaging purposes (million tonnes) <sup>(n)</sup>	G4-EN1	5.7	5.6	165
Packaging source optimisation (kilotonnes saved)		66.6	45.8	165
<b>Energy</b>				
Total on-site energy consumption (petajoules)		97.7	95.8	179
Total on-site energy consumption (gigajoules per tonne of product)		1.87	1.78	179
Total on-site energy consumption from renewable sources (% total)	G4-EN3	13.3	14.7	n/a

Nestlé in society and Creating Shared Value key performance indicator	GRI	2013	2014	Page
Total direct energy consumption (petajoules)	G4-EN3	67.1	65.5	179
Total direct energy consumption from renewable sources (% total direct)	G4-EN3	10.8	11.3	n/a
Total indirect energy consumption (petajoules)	G4-EN4	81.5	81.1	179
<b>Biodiversity</b>				
Total size of manufacturing sites located in protected areas (hectares) <sup>(a)</sup>	G4-EN11	32.9	18.8	190
<b>Emissions, effluents and waste</b>				
Direct GHG emissions (million tonnes CO <sub>2</sub> eq)	G4-EN15	3.99	3.81	184
Direct GHG emissions (kg CO <sub>2</sub> eq per tonne of product)	G4-EN15	76.0	71.0	184
Indirect GHG emissions (million tonnes CO <sub>2</sub> eq)	G4-EN16	3.81	3.80	184
Indirect GHG emissions (kg CO <sub>2</sub> eq per tonne of product)	G4-EN16	73.0	71.0	184
Total water discharge (million m <sup>3</sup> )	G4-EN22	91.0	87.0	138
Total water discharge (m <sup>3</sup> per tonne of product)	G4-EN22	1.74	1.63	138
Average quality of water discharged (mg COD/l)	G4-EN22	76.0	72.0	138
By-products (kg per tonne of product)	G4-EN23	29.1	28.9	179
Waste for disposal (kg per tonne of product)	G4-EN23	4.9	4.0	179
<b>Environmental sustainability governance</b>				
Manufacturing sites certified against ISO 14001 (% of total manufacturing sites)		91.0	92.0	n/a
<b>Human rights and compliance</b>				
Total number of significant product recalls or incidents of non-compliance	G4-PR2	10	12	n/a
Number of human rights impact assessments completed	G4-HR9	1	1	204
Number of employees trained on human rights		13 793	7 485	204
<b>Our people</b>				
Total workforce (number of employees) <sup>(a)</sup>		333 214	339 456	10
Total rate of new employee hires (%) <sup>(p)</sup>	G4-LA1	10.7	10.3	n/a
Total rate of employee turnover (%) <sup>(p)</sup>	G4-LA1	11.1	11.7	n/a
CARE gaps identified related to Business Integrity and HR <sup>(a)</sup>		146	32	199
Of which: Minor		130	32	199
Major		16	0	199
Critical		0	0	199
Lost-time injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) <sup>(m)</sup>	G4-LA6	2.34	2.35	222
Total recordable injuries and illnesses rate (per million hours worked) (employees, on-site contractors and on-site members of public) <sup>(m)</sup>	G4-LA6	4.10	3.98	222
Total number of fatalities (employees, on-site contractors and on-site members of public) <sup>(m)</sup>	G4-LA6	12	5	222
Average hours of training per year per employee per category <sup>(r)</sup>	G4-LA9	23.0	28.8	237, 204
Leadership positions held by women (%) <sup>(p)</sup>	G4-LA12	31.1	33.7	233
Local Management Committee members native to country in developing countries (%) <sup>(s)</sup>	G4-EC6	52.0	56.4	n/a

(a) Does not include joint ventures.

(b) Includes Nestlé's share in net result of joint ventures.

(c) 2014 assessment scope: 73.8% total Nestlé sales volume. We evaluate our products against the Nestlé Nutritional Foundation criteria, which are based on scientific and public health recommendations (WHO, Institute of Medicine (IOM) and others).

(d) Based on reports of approximately 75% of worldwide product development teams. Products can have 'less of' one ingredient and 'more of' another at the same time.

(e) In the 60/40 programme products are tested with consumer panels and at least 60 of the 100 people must prefer the Nestlé product over the competitor's. This KPI reflects the dynamic nature of our 60/40+ programme. Assessment results are valid for a maximum of three years, only if all parameters remain equal.

(f) Excludes total petcare and, for USA only, *Dreyer's* and licensed brands *Häagen-Dazs* and *California Pizza Kitchen*.

(g) 2014 figure is global. 2013 figure is EU 28 plus Switzerland, the Adriatic Region, Ukraine and Moldova. Excludes plain coffee, tea and water, products for Nestlé Professional, gifting chocolate, seasonings, petcare, Nestlé Health Science and Nestlé Nutrition.

(h) Products sold as single servings and meeting/exceeding Nestlé Nutritional Foundation OR sold with/via a device or equipment delivering a serving meeting/exceeding Nestlé Nutritional Foundation OR sold to caregivers with detailed instructions on adjusting servings to evolving nutritional needs. This currently represents only a subset of the portfolio with portion guidance.

(i) SKU count recalculated for increased accuracy and now only includes active SKUs.

(j) The percentage reflects Nestlé's full-year compliance to the stricter 35% children audience threshold as redefined in September 2011.

(k) Based on internal and external audits. Internal audits are conducted by HQ-based auditors (Nestlé Group Audit) and country-based auditors (Nestlé Market Audit). External audits were conducted by Bureau Veritas.

(l) We follow the FTSE4Good breast-milk substitute marketing criteria, which classify countries as 'higher-risk' if they have mortality rates for under-fives of more than ten per 1000, or more than 2% acute malnutrition among under-fives. All other countries are 'lower-risk'.

(m) Includes joint ventures.

(n) 2013 data restated due to some of our large joint ventures reporting environmental data for the first time in 2013 but not having material consumption data available at the time.

(o) Differences from 2013 due to correction of factory coordinates, clarification of PA boundaries and sale of three factories.

(p) Covers Nestlé employees registered in the HR system (approximately 85% of all employees).

(q) CARE, our global external audit programme, is conducted by three audit companies and verifies that all employees and sites we own or operate comply with local legislation, our *Corporate Business Principles* and *Code of Business Conduct*. The audits take place every three years.

(r) Covers approximately 85% of all employees through a combination of manual submission from the markets and the training system.

(s) Covers all Nestlé employees including joint ventures.

## A message from our Chairman and our CEO

We are pleased to share our 2014 Creating Shared Value Report including an assessment of the challenges we face and the real progress we have made in meeting our societal commitments. This report underlines our firm belief that for a company to prosper over the long term and create value for shareholders, it must create value for society at the same time. Each and every commitment is based on our own convictions, not convenience. Respect, for people, different cultures, the environment and for the future of the world we live in, is the foundation of Creating Shared Value.

These commitments serve both external and internal purposes. They have helped frame our external communications but, equally importantly, they guide our management and all of us at Nestlé across Business Units, Zones and Markets in our collective efforts to reach these specific objectives. They also take into account the views of our stakeholders. We meet regularly with NGOs, academics, multilateral agencies, governments and others to listen and learn from their criticisms and encouragement. Our efforts are strengthened by this dialogue.

Our shareholders also guide us with insightful questions about these societal commitments and how they strengthen our business. This we can explain. Our ambition to be the leading Nutrition, Health and Wellness company is at the heart of our corporate strategy and what we live for as a company. We care deeply about people's health and wellness, and are investing for the future through our network of research centres, the Nestlé Institute of Health Sciences, Nestlé Health Science and the new Nestlé Skin Health. A deep understanding of nutrition, and access to tastier and healthier food and beverages, is what our consumers demand and what society needs.

Water too is an essential part of good nutrition and, at the same time, a human right and the linchpin of food security. We actively promote healthy hydration at all ages while making every effort to reduce water use in our own operations and advocating for inclusion of a specific goal on water in the post-2015 development agenda. Our Cero Agua factory in Mexico, a dairy factory with a positive water impact, exemplifies our commitment to reducing water use in our own operations and how we embrace new technologies and innovative ways to achieve this goal. Water is a business opportunity, an operational challenge and a societal issue that is of deep concern to us all. As we have said many times, we will run out of water long before we run out of oil.

Likewise, rural development and our work with farmers combined with our Responsible Sourcing Guideline help address the need to build sustainable farming communities, but also to answer our own consumers' demands to know 'where does my food come from?' Our rural development work helps secure the quality and quantity of supply of our key categories and increase the attractiveness of farming for future generations.



**Pictured: Peter Brabeck-Letmathe (Chairman, Nestlé) speaking at the 2014 CSV forum**

Peter Brabeck-Letmathe (Chairman, Nestlé) welcoming guests from government, academia, civil society and business to the 6th Creating Shared Value Forum in Switzerland, which was co-hosted with the United Nations Conference on Trade and Development.



**Pictured: Paul Bulcke (CEO, Nestlé) visiting the Food Safety Institute in Beijing**

Paul Bulcke (CEO, Nestlé) visiting Beijing in March 2014, to open the Nestlé Food Safety Institute, which works with authorities to help provide the scientific foundation for food safety policies and standards.



We continue to actively manage our commitments to environmental and social sustainability, necessary for operating our factories and for the sustainable growth and development of the communities and countries where we operate. Our commitment to youth employment, called the Nestlé needs YOUTH Initiative, helps strengthen and develop the skills and employability of young people across Europe. This programme will soon be extended globally.

At Nestlé, Creating Shared Value is the way we do business and it is embedded in our holistic management thinking. Integrating business opportunity and societal need is what we expect of our leaders and employees. Internal management tools help facilitate this process, such as a strategic portfolio tool that assesses our brands against financial and nutrition targets, a capital expenditure process that includes societal indicators, and a Rural Development Framework which digs deep into the needs of cocoa, coffee and dairy farmers and farming communities, helping us to better target our efforts and investments. Our challenge is to find a consistent method of measuring the business value of Creating Shared Value as well as to assess societal impacts and not just activities. We will continue to develop our thinking on this during 2015.

Join us on our Creating Shared Value journey which focuses business on the long term where the success of society and economic activity are intimately intertwined and mutually reinforcing. It should also lead to more effective, collective action to address some of society's deepest concerns and challenges. Better dialogue, engagement and partnerships are required if we are to help address the 'double burden' of malnutrition, water scarcity, sustainable farming, climate change, human rights and more.

This year, again, we have introduced some new commitments in the areas of responsible marketing to children, anti-corruption and internal and external grievance mechanisms. With this report, we also restate our support for the UN Global Compact, as a founding member of the UN Global Compact Lead – an important platform for corporate sustainability leadership. We look forward to your feedback on our commitments and on this report.



**Peter Brabeck-Letmathe**  
Chairman



**Paul Bulcke**  
Chief Executive Officer

Market presence G4-DMA, Economic performance G4-DMA, G4-EC1, G4-EC7, G4-EC8, Compliance G4-DMA (Environmental), Transport G4-DMA, Overall G4-DMA

## Creating Shared Value at Nestlé

Nestlé has grown from a company founded nearly 150 years ago on the success of a life-saving infant cereal to a global leader in Nutrition, Health and Wellness. Our growth has enabled us to help improve the lives of millions of people – through the products and services we provide and through employment, our supplier networks and the contribution we make to economies around the world. 4.1 million families earn a living because of Nestlé, including many rural smallholders in developing countries. In 2014, we supported the livelihoods of 695 000 farmers and directly employed 339 456 people. Our total group salaries and social welfare expenses were almost CHF 16 billion and we paid corporate taxes of CHF 2859 million.

We see this value creation as a basic requirement for successful business, but it doesn't stop there. Being a global leader brings not only a duty to operate responsibly, but also an opportunity to create long-term positive value for society. We call this Creating Shared Value, and we embed it firmly in our holistic management thinking across all parts of our business.

Our ambition is to be the leading Nutrition, Health and Wellness company. As the population grows and healthcare challenges increase, the intrinsic value of our nutrition agenda will continue to expand. That's why Nutrition, Health and Wellness are at the heart of Creating Shared Value. As critical issues facing society, water and rural development are also top priorities, representing both business opportunities and operational challenges. All this is underpinned by a duty to protect scarce natural resources for the future. Our commitments to environmental and social sustainability ensure we can continue to be part of the long-term solution. Finding better ways to collaborate and secure collective action is key to addressing society's most critical challenges and maximising the shared value we can create.

**CHF 91.6 billion**

total group sales

**CHF 16 billion**

total group salaries and social welfare expenses

**More than 1 billion**

number of servings consumed per day

**695 000**

farmers working directly with Nestlé

**4.1 million**

number of families earning a livelihood because of us

**442**

number of factories worldwide<sup>5</sup>

**339 456**

number of employees

**CHF 2 859 million**

corporate taxes paid in 2014

### Creating Shared Value



<sup>5</sup> Total Nestlé Group factories excluding joint ventures.

# Materiality

**Materiality is about identifying the issues that matter most to our business and to our stakeholders. We plot the economic, social and environmental issues that are of most concern to our stakeholders, against the impacts they may have on our reputation, operations and finances. Together, the results highlight the material issues<sup>6</sup> that are facing our business, which may be ongoing, evolving or new. We use them to help select the information to feature in this report, in order to meet stakeholder expectations. This section provides an outline of our material issues, in accordance with GRI G4 requirements, and highlights their level of impact throughout Nestlé's value chain.**

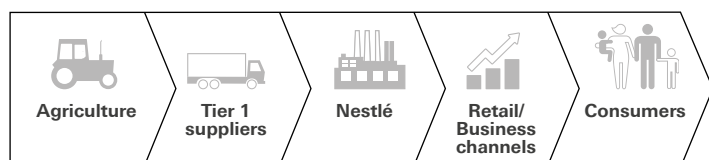
## Refreshing our materiality assessment

In 2014, we engaged SustainAbility, an independent think tank and strategic advisor, to re-assess Nestlé's material issues. Working together with Accenture for perspective on the commercial impact of material issues, they applied a structured method to quantify the relative materiality of the issues. The method allowed for greater precision in the scoring and ranking of our material issues than in previous years.

Distinctive features of this year's materiality process include:

- **A broader sample of stakeholders** – desk research was conducted on a sample of stakeholders representing NGOs, multilaterals, governments, think tanks, consumer organisations and socially responsible investors (SRIs) in key geographies;
- **Value chain analysis** – material issues were considered and mapped with regard to the degree of importance stakeholders place on the issue in different parts of the value chain and with regard to where financial, operational and reputational impacts would be felt in the value chain;

## The Nestlé value chain



Agriculture covers small-holder farmers with whom we do not have direct relationships. Tier 1 refers to suppliers in direct commercial relationships with Nestlé.

- **Greater attention to the concerns of SRIs** – greater attention was paid to the interests and priorities of the socially responsible investment community by tracking sources such as the Access to Nutrition Index, Dow Jones Sustainability Index, shareholder resolutions and analyst reports on the food sector;
- **Robust assessment of business impact** – a combination of surveys, interviews and research informed the evaluation of the impact of material issues on the drivers of business value for Nestlé; and
- **Accenture** – undertook analysis of the commercial relevance of the issues we seek to address with our Creating Shared Value commitments.

SustainAbility uses opinion survey data from Globescan, the sustainability research company, to inform its assessment of stakeholder interest. SustainAbility draws on two Globescan surveys of the perspectives of key opinion leaders:

- A 2014 Globescan/SustainAbility key opinion leader survey of the corporate sustainability issues that drive perspectives on corporate leadership on sustainability. (This survey includes insights from 887 expert stakeholders from 87 countries). The survey results are available at [www.sustainability.com/projects/the-globescan-sustainability-surveys](http://www.sustainability.com/projects/the-globescan-sustainability-surveys)
- A 2013 Nestlé commissioned Globescan survey of key opinion leader perspectives on the importance of different CSV issues to Nestlé.

Survey data was used to inform scoring of the interests of key opinion leaders.

## New or reframed material issues

As a result of the assessment, the following material issues are **new** or have been **reframed** from the 2013 analysis:

- Business ethics;
- Maternal, infant and young child nutrition;
- Resource efficiency and waste;
- Responsible marketing;
- Human resources;
- Community development and unemployment;
- Traceability; and
- Women's empowerment.

The changes reflect evolving priorities for our stakeholders and our business, and align with the new reporting requirements under GRI G4. They were framed, with input from Nestlé experts and Group Risk Management, to ensure an appropriate level of insight on priorities.

## Nestlé's material issues

Our 19 material issues are organised under eight categories that relate to our commitments for Creating Shared Value. Each issue is made up of a number of sub-issues, which are explored in greater detail in associated chapters of this report.

<sup>6</sup> Material issues: according to the Global Reporting Initiative's (GRI) G4 guidelines, material issues (or 'material aspects') are "those that reflect the organisation's significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders".





























Our material issues were considered and mapped with regard to the degree of importance Nestlé stakeholders place on the issue in different parts of the value chain, and to where financial, operational and reputational impacts would be felt in the value chain.

Although it is not possible to make a direct comparison between our 2012 and 2014 materiality matrix due to the changes in methodology, the following key trends are present:






- The revised materiality assessment results continue to emphasise the priority of the issues of over- and under-nutrition and water stewardship, and the primacy of food safety for our business;
- The revised assessment reflects the acute and global stakeholder concern over issues including climate change, natural capital and human rights; and

- The revised assessment reflects our growing understanding of the potential business impacts (both risk and opportunities) on the supply chain for a number of issues, including climate change, animal welfare, food waste, natural capital and human rights.






We have also provided a synthesis of the findings of the value chain analysis for each material issue. It is designed to indicate the relative priority at each stage of the value chain and is not intended to provide insights into the overall priority of material issues. The value chain results should be considered in conjunction with the overall materiality matrix.


































MATERIALITY ISSUE	VALUE CHAIN				
	KEY:  Moderate  Significant  Major				
	 Agriculture	 Tier 1 Suppliers	 Nestlé	 Retail/ Business Channels	 Consumers
<b>Overnutrition and undernutrition</b>					
Supporting optimal nutrition, health and wellness through the life course. Helping to address overnutrition, undernutrition, related micronutrient deficiencies, conditions such as overweight and obesity, and non-communicable diseases (NCDs) through portfolio transformation, product and service development and renovation, and popularly positioned products.					
<ul style="list-style-type: none"> <li>• Micronutrient deficiencies</li> <li>• NCDs</li> <li>• Obesity</li> <li>• Overweight</li> <li>• Stunting</li> <li>• Underweight</li> </ul>					
<b>Food and nutrition security</b>					
Contributing to the availability of and affordable access to sufficient, safe, nutritious food.					
<b>Maternal, infant and young children nutrition</b>					
Improving the nutrition of mothers, infants, and children for better health and wellbeing outcomes.					
<b>Responsible marketing</b>					
Marketing in ways that are appropriate to consumer audiences and shaping consumer behaviour to promote better health and environmental outcomes.					
<ul style="list-style-type: none"> <li>• Environmental literacy and communication</li> <li>• Infant formula marketing</li> <li>• Nutritional literacy and communication</li> <li>• Product labelling</li> <li>• Responsible marketing to children</li> </ul>					



MATERIALITY ISSUE	VALUE CHAIN					KEY: <div><div></div> Moderate</div> <div><div></div> Significant</div> <div><div></div> Major</div>
	<div><div></div><div>Agriculture</div></div>	<div><div></div><div>Tier 1 Suppliers</div></div>	<div><div></div><div>Nestlé</div></div>	<div><div></div><div>Retail/ Business Channels</div></div>	<div><div></div><div>Consumers</div></div>	
Rural development						
Directly and indirectly promoting economic activity and improving livelihoods of agricultural workers in the supply chain to promote sustainable agricultural communities.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
<div><div>Rural living wage</div></div>						
Traceability						
Ensuring that priority ingredients have been grown and processed responsibly and can be traced back to origin where possible.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
Animal welfare						
Safeguarding the well-being of animals in the supply chain and promoting farm animal health and welfare.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
Women’s empowerment <sup>5</sup>						
Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
<div><div>Women farmers</div></div>						
Community development and unemployment <sup>7</sup>						
Improving people’s lives through community and societal participation and improving access to employment, education and skills development.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
<div><div>Community relations</div><div>Income and wealth inequality</div><div>Living wage</div><div>Youth unemployment</div></div>						
Water stewardship						
Implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources, including enabling access to water, sanitation and hygiene.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
<div><div>Hygiene and health</div><div>Water quality</div><div>Water security</div><div>Water use</div></div>						

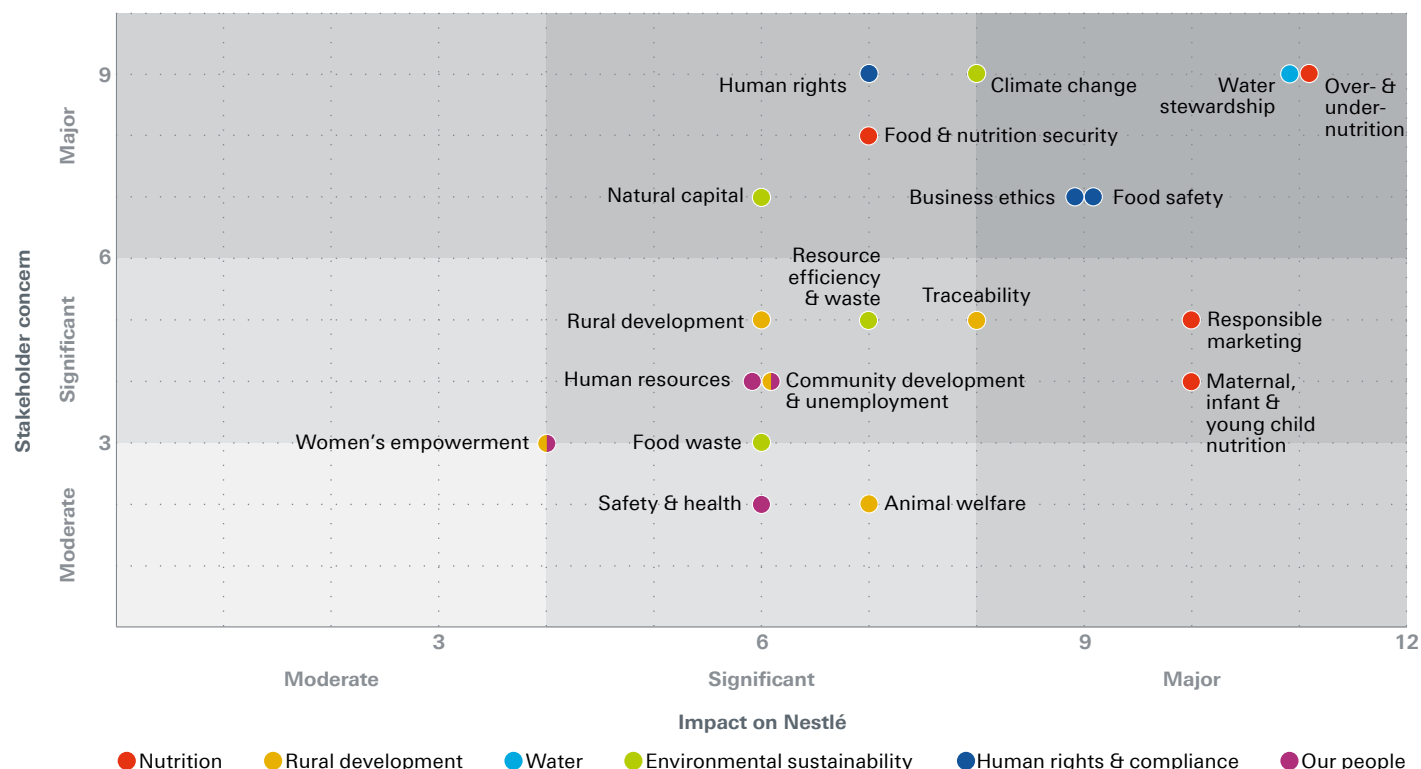
7 These issues have sub issues that are shared across Rural Development and Our People

MATERIALITY ISSUE	VALUE CHAIN					KEY: <div><div></div> Moderate</div> <div><div></div> Significant</div> <div><div></div> Major</div>
	<div> Agriculture</div>	<div> Tier 1 Suppliers</div>	<div> Nestlé</div>	<div> Retail/ Business Channels</div>	<div> Consumers</div>	
Resource efficiency and waste						
Improving the direct and indirect use of resources, reducing waste and optimising opportunities for recovery, reuse or recycling of by-products, and disposing of waste appropriately.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
Resource efficiency and waste combines packaging, manufacturing and transport and distribution that were distinct issues in the 2013 matrix. <ul style="list-style-type: none"><li>Consumer behaviour</li><li>Energy consumption</li><li>Land use</li><li>Littering</li><li>Manufacturing environmental impacts</li><li>Packaging</li><li>Transport and distribution</li></ul>						
Food waste						
Avoiding food waste and losses along the value chain, including consumer and post-consumer use, distribution, manufacturing and agriculture.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
Climate change						
Reducing GHG emissions and contributing to the mitigation of, and adaptation to, the effects of climate change. <ul style="list-style-type: none"><li>Climate change adaptation</li><li>Climate change mitigation</li></ul>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
Natural capital						
Identifying and preserving elements of ecosystem services that generate value, both directly and indirectly. <ul style="list-style-type: none"><li>Biodiversity</li><li>Deforestation</li><li>Soil fertility</li></ul>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
Business ethics						
Upholding ethical principles in the business and workplace. <ul style="list-style-type: none"><li>Consumer privacy</li><li>Executive compensation</li><li>Fair taxes</li><li>Governance and transparency</li><li>Fraud, bribery and corruption</li></ul>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 Suppliers	Nestlé	Retail/ Business Channels	Consumers
<b>KEY:</b>  Moderate  Significant  Major					
<b>Human rights</b>					
Promoting respect for the basic rights and freedoms to which all people are entitled.					
<ul style="list-style-type: none"> <li>• Child labour</li> <li>• Labour rights*</li> <li>• Land rights</li> <li>• Human rights in the upstream supply chain</li> </ul> <a href="#">*Issue is covered in the chapter on Our People</a>					
<b>Food safety</b>					
Ensuring a high-quality product and preventing health risks arising from handling, preparation and storage throughout the value chain.					
<b>Human resources</b>					
Maintaining positive relations with employees and promoting positive working conditions (in last year's matrix, this was called Employee Relations).					
<ul style="list-style-type: none"> <li>• Employee benefits, remuneration, attraction, retention</li> <li>• Employee diversity</li> <li>• Employee engagement</li> <li>• Employee training and learning</li> </ul>					
<b>Safety and health</b>					
Targeting zero accidents in the workplace and promoting safe and healthy employee behaviours.					
<b>Women's empowerment<sup>8</sup></b>					
Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community.					
<ul style="list-style-type: none"> <li>• Women farmers</li> </ul>					
<b>Community development and unemployment<sup>8</sup></b>					
Improving people's lives through community and societal participation and improving access to employment, education and skills development.					
<ul style="list-style-type: none"> <li>• Community relations</li> <li>• Income and wealth inequality</li> <li>• Living wage</li> <li>• Youth unemployment</li> </ul>					

8 These issues have sub issues that are shared across Rural Development and Our People

## 2014 Nestlé materiality matrix



## Assessing the commercial value of Creating Shared Value issues

Nestlé recognises that more quantifiable evidence is needed to demonstrate the value delivered by linking business performance and social impact, and we are working to address it. This year, we asked Accenture to use our materiality analysis and review the commercial relevance of the issues we are seeking to address through our Creating Shared Value commitments. The work has been valuable in enhancing our understanding of the synergies between societal interest and shareholder expectations. We have shared a summary of our findings and our process here, to assist others when researching the area.

Overall, while the particular commercial relevance of the different issues we address varies significantly, our analysis concluded all of them have a significant relationship to our business success. Some are essential for protecting and growing our revenues, others have significant influence on our cost structure, supply chain and risk, and many can impact our reputation amongst customers and important stakeholders; somewhat intangible to measure, but nevertheless key to our success as a business. In general, if we manage these issues poorly, this exposes us to risks; if managed well, we can turn them into commercial opportunities.

**Our revenues** are primarily dependent on our ability to deliver nutrition to our consumers. Food safety, as well as over- and under-nutrition are global challenges which present not just a strategic and operational challenge, but also a commercial opportunity for Nestlé. Nestlé has the knowledge, capabilities,

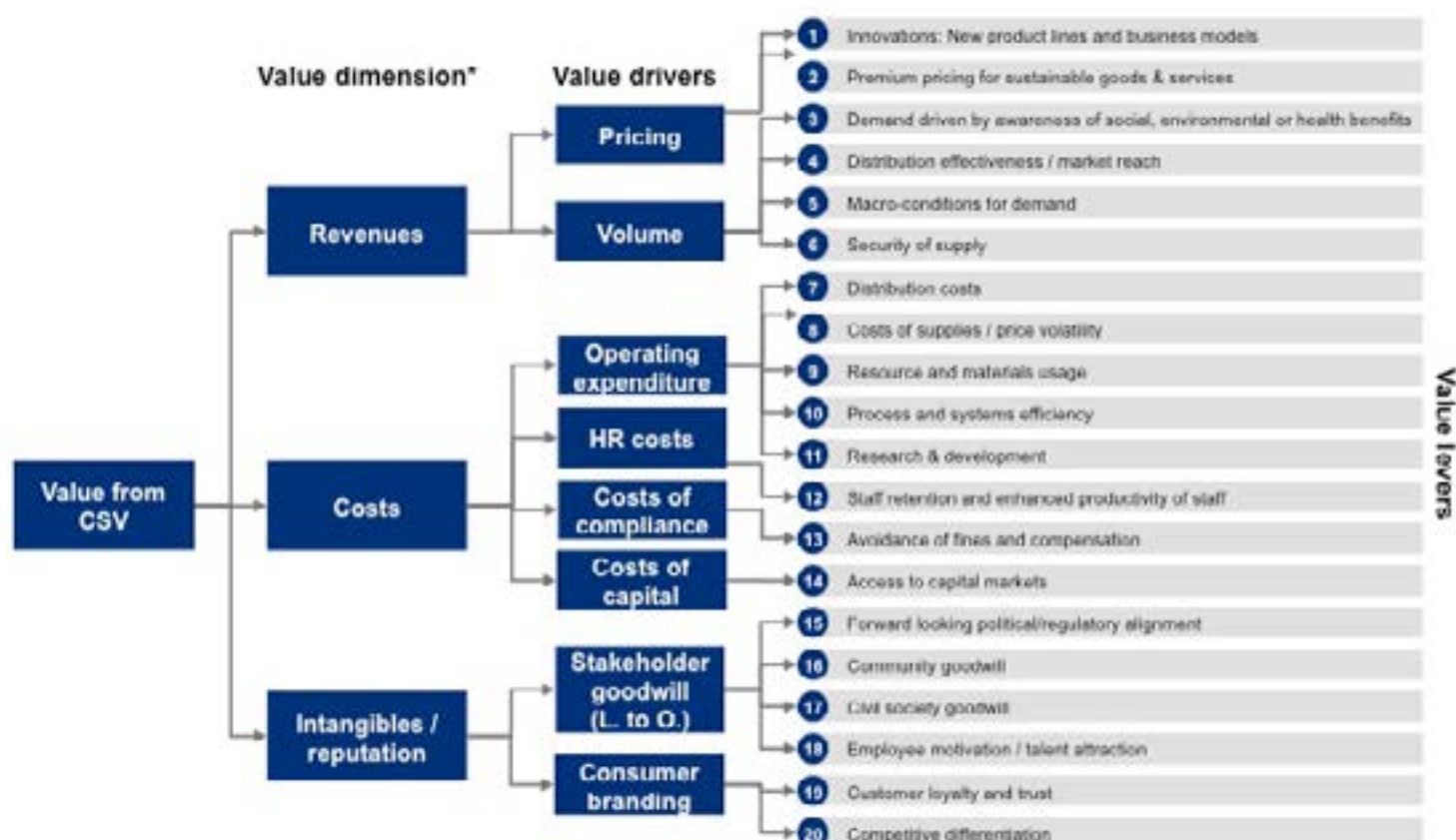
scale and reach for contributing solutions to these societal challenges, and where we are successful, we are seeing corresponding revenue uplifts. Our ability to produce and provide nutritious food to our consumers, however, is also dependent on water. Growing water scarcity may jeopardize our growth potential by compromising the availability of raw materials; it may also impact Nestlé’s operating licenses to access water for production. Another issue highly significant for our revenues is the safety of the global food supply chain. In a marketplace where consumers are given frequent cause for concern with regards to the safety of their food, it is valuable to be a trusted, safe brand – particularly for important revenue streams such as child and infant nutrition.

**Our cost structure** is, again, heavily influenced by water. It is the number one input factor for our production and also influences the prices of raw materials. Therefore, managing it diligently in our own operations as well as within the supply chain is a commercial imperative. Other Creating Shared Value issues, at first sight, primarily seem like cost drivers: nutritious products require substantial R&D investments, ensuring food safety requires investments into traceability and the avoidance of human rights and labour violations require dedicated people and processes. Yet, the latter for example also bring us closer to our suppliers, enhance our understanding of their operating circumstances and can help us realise efficiencies and enhance the security of our sources – ultimately helping us to realise cost-advantages.



When it comes to **our reputation**, all of the issues that we address with Creating Shared Value have the potential to influence our corporate standing. Food safety is, arguably, the most important one, but our reputation is also linked to perceptions of Nestlé's respect for social equity, for ethics and human rights. If our actions are perceived to demonstrate a lack of respect for such critical societal issues, customers and consumers could desert us, and other influential stakeholders who shape our operating environments could also be unwilling to treat us as partners.

In summary, the independent research confirmed that the areas we are seeking to address with our Creating Shared Value initiatives are important to our business, to our customers, to investors and society at large. Addressing them is of mutually reinforcing benefit, and we look forward to continuing to do so in collaboration with our partners, suppliers, customers and shareholders.



\*Note: Risks are not represented as an individual branch to the tree, but instead are considered as a potential impact-relationship with all branches.

L. to O. – License to Operate

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# Our commitments

Nestlé's public commitments directly relate to our material issues, helping us drive continuous improvement and enable stakeholders to hold us accountable. In some instances, the title of a commitment has been updated from last year, to provide greater clarity and transparency, although our ambitions remain unchanged.



## Nutrition

- Build knowledge leadership in children's nutrition
- Lead the industry in nutrition and health research through collaboration
- Provide nutritionally sound products designed for children
- Help reduce the risk of undernutrition through micronutrient fortification
- Reduce sodium (salt) in our products
- Reduce sugars in our products
- Reduce saturated fats and remove trans fats in our products<sup>9</sup>
- Encourage consumption of whole grains and vegetables
- Deliver nutrition information and advice on all our labels
- Provide portion guidance for consumers
- Promote healthy diets and lifestyles, including physical activity
- Promote healthy hydration as part of a healthy lifestyle
- Provide education programmes for good nutrition and feeding practices
- + Ensure responsible marketing communication to children
- Market breast-milk substitutes responsibly



## Rural development

- Roll out the Rural Development Framework to understand the needs of farmers
- Implement responsible sourcing in our supply chain
- Roll out the Nestlé Cocoa Plan with cocoa farmers
- Roll out the Nescafé Plan with coffee farmers

+ New commitment



## Water

- Work to achieve water efficiency and sustainability across our operations
- Advocate for effective water policies and stewardship
- Treat the water we discharge effectively
- Engage with suppliers, especially those in agriculture
- Raise awareness on water conservation and improve access to water and sanitation across our value chain



## Environmental sustainability

- Improve resource efficiency in our operations
- Improve the environmental performance of our packaging
- Assess and optimise the environmental impact of our products
- Provide climate change leadership
- Preserve natural capital, including forests
- Provide meaningful and accurate environmental information and dialogue



## Human rights and compliance

- Assess and address human rights impacts in our operations and supply chain
- Eliminate child labour in key commodities
- + Ensure that all employees and stakeholders can easily report possible compliance violations
- + Work against corruption and bribery



## Our people

- Ensure all Nestlé units have basic safety and health protection systems for all employees
- Enhance gender balance in our workforce
- Offer 20000 job opportunities for young people below 30 years of age at Nestlé in Europe
- Provide CSV, nutrition (NQ) and environmental sustainability training for our employees

<sup>9</sup> This commitment refers to TFAs originating from partially hydrogenated oils in our products.

# Business principles and governance

It is essential that we build our business on clear principles and sound governance. It helps us to maintain trust in the Nestlé brand and reduces risk throughout our value chain. The Nestlé Corporate Business Principles regulate the way we do business and they form the basis of our culture, our values and our Creating Shared Value strategy. They are regularly reviewed by our Executive Board and aligned with international best practice, incorporating global standards such as the UN Global Compact Principles.

## The Nestlé Corporate Business Principles

All of our employees are required to comply with Nestlé's Corporate Business Principles and we continuously monitor their application and effectiveness. Our principles are implemented every day, across the company, through relevant business codes, policies, processes and tools.

The Nestlé Corporate Business Principles		
Consumers	1. Nutrition, Health and Wellness	We aim to enhance the quality of consumers' lives by offering tastier, healthier food and drinks and encouraging a healthy lifestyle.
	2. Quality assurance and product safety	We want to ensure that, everywhere in the world, the Nestlé name represents the highest levels of product safety and quality.
	3. Consumer communication	We are committed to responsible, reliable communication that informs consumers, promotes healthier diets. We respect consumer privacy.
Human rights and labour practices	4. Human rights in our business activities	We fully support the United Nations Guiding Principles on Business and Human Rights, and aim to set an example of good human rights and labour practices throughout our business activities.
Our people	5. Leadership and personal responsibility	While fostering a culture of respect and dignity, we provide our people with equal opportunities for development, protect their privacy and do not tolerate any form of harassment or discrimination against them. At the same time, we expect our employees to be responsible, motivated, and to respect our values.
	6. Safety and health at work	We are committed to preventing work-related accidents, injuries and illnesses, and to protecting employees, contractors and others involved along the value chain.
	7. Supplier and customer relations	We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards.
Suppliers and customers	8. Agriculture and rural development	We aim to help rural communities become more environmentally sustainable by contributing to improvements in agricultural production and the social and economic status of farmers.
	9. Environmental sustainability	We are committed to environmentally sustainable business practices and strive to use natural resources efficiently, achieve zero waste and use sustainably managed renewable resources.
The environment	10. Water	The world faces a growing water challenge, and we are committed to using water sustainably and improving our water management.

## Our governance and advisory structure

Within Nestlé's general corporate governance structure, the Board of Directors, the Chairman, CEO and Executive Board are ultimately responsible for the supervision and management of our role in society, and for the Creating Shared Value strategy. They are supported by internal management bodies including the Nestlé in Society Board, Operations Sustainability Council, Issues Round Table, R&D Council for Sustainability and Nutrition and the Group Compliance Committee. We also take advice from external advisory groups, including through the Creating Shared Value Council and the Nestlé Nutrition Council.

### Nestlé in Society Board

The Nestlé in society Board, chaired by our CEO, oversees the strategic implementation of Creating Shared Value across our businesses. It also leads the development and evolution of Cre-

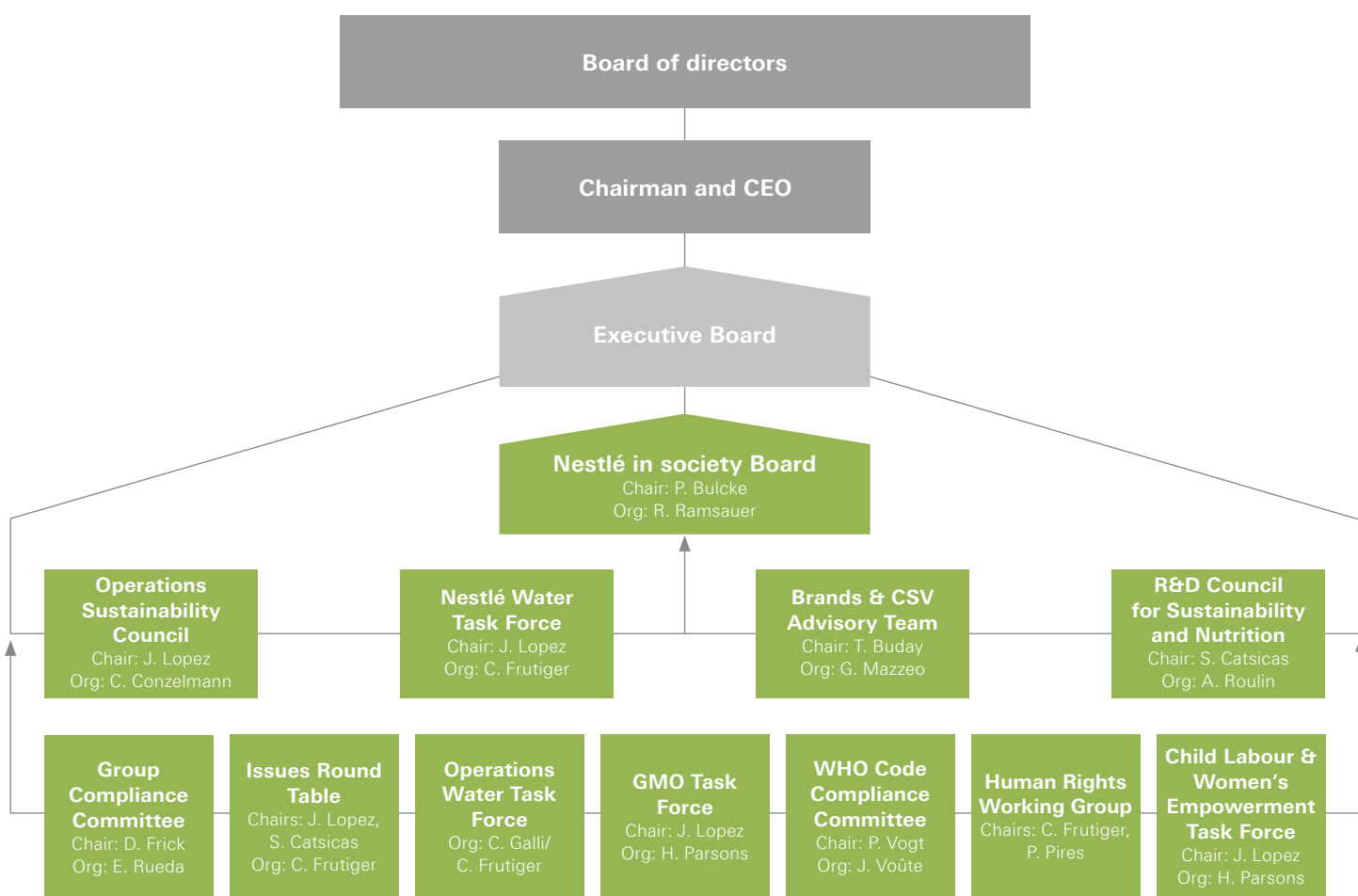
ating Shared Value, and all societal commitments, objectives and strategies. Specifically, the Board works to:

- Ensure alignment and coherence of all activities and work streams related to Nestlé's positioning in society;
- Assess and draw appropriate conclusions from societal developments affecting Nestlé; and
- Further strengthen Nestlé's credentials in Creating Shared Value – with focus on nutrition, water and rural development – environmental sustainability and compliance, thereby covering all dimensions of the Nestlé in society pyramid.

Members of the Nestlé in society Board are: Paul Bulcke, Jose Lopez, Patrice Bula, Stefan Catsicas, Peter Vogt, Rudolf Ramsauer, Janet Voûte and Thomas Buday. The Nestlé in society Board reverts to the Executive Board for input and confirmation.

For more information on our governance and advisory structure, please see Nestlé's [Annual Report](#).

## Internal governance structure



■ Creating Shared Value



## Nestlé Creating Shared Value Council

The Nestlé CSV Council brings together external experts to assess Nestlé's progress and discuss Creating Shared Value opportunities and challenges. The CSV Council has 12 members with expertise covering corporate social responsibility, strategy, sustainability, nutrition, water and rural development.

In addition to advising Nestlé Management on the best ways to implement Creating Shared Value, members take part in Nestlé's annual CSV Global Forum and form the judging panel for the Nestlé Prize in Creating Shared Value. CSV Council meetings are chaired by Nestlé's Head of Public Affairs, Ms Janet Voûte.

### External members



**Nancy Birdsall** is the founding President of the Center for Global Development. Before founding the Center, she served for three years as Senior Associate and Director of the Economic Reform Project at the Carnegie Endowment for International Peace. From 1993 to 1998, she was Executive Vice President of the Inter-American Development Bank. Before joining the Inter-American Development Bank, she spent 14 years in research, policy and management positions at the World Bank.



**Robert E. Black** is Chairman of the Department of International Health, Johns Hopkins University, Bloomberg School of Public Health. He has devoted his research and professional activities to reducing the number of unnecessary child deaths from diarrhoea, pneumonia, malaria, measles and malnutrition. His many studies are also focused on the impact of nutrition programmes in developing countries and the strengthening of public health training.



**John Elkington** is co-founder of SustainAbility, and Founding Partner and Director of Volans. He is a world authority on corporate responsibility and sustainable development. In 2004, *BusinessWeek* described him as "a dean of the corporate responsibility movement for three decades" and in 2008, *The Evening Standard* named John among the "1 000 Most Influential People" in London, describing him as "a true green business guru" and "an evangelist for corporate social and environmental responsibility long before it was fashionable".



**Venkatesh Mannar** is former President of the Micronutrient Initiative (MI), having overseen the implementation of MI's global mandate to support national actions to eliminate micronutrient malnutrition. MI works in collaboration with major international agencies, national governments, private industry and NGOs to expand and strengthen national programmes through a combination of technical, operational and funding support.



**Ruth Khasaya Oniang'o** was formerly Professor of Food Science and Nutrition at Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya and adjunct Professor of Nutrition at Tufts University in the USA. She is also Founder and Executive Director of the Rural Outreach Program Kenya, as well as Founder and Editor-in-Chief of the *African Journal of Food, Agriculture, Nutrition and Development*. She has published and communicated widely on household food and nutritional security, and women's nutrition and children's health. She works on rural developments focused on women smallholder farmers and is a former member of parliament in Kenya.



**Prabhu Pingali** is Professor and Director of the Tata-Cornell Agriculture and Nutrition initiative at Cornell University and Full Professor in Applied Economics. He has more than 25 years of experience in assessing the extent and impact of technical change in developing agriculture in Asia, Africa and Latin America. He was formerly the Deputy Director of the Agriculture Development Program at the Bill and Melinda Gates Foundation, Director of the Agricultural and Development Economics Division of the Food and Agriculture Organization (FAO), and earned a PhD in Economics from North Carolina State University in 1982.

## External members



**Michael E. Porter** is Bishop William Lawrence University Professor at the Harvard Business School. He is a leading authority on competitive strategy, the competitiveness and economic development of nations, states and regions, and the application of competitive principles to social problems such as healthcare, the environment and corporate responsibility.



**Robert L. Thompson** is a visiting scholar at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies in Washington DC. He is Professor Emeritus of Agricultural Policy at the University of Illinois in Urbana-Champaign and an international authority on agricultural development and international agricultural trade policy. He is a Senior Fellow of the Chicago Council on Global Affairs and serves on the USDA-USTR Agricultural Policy Advisory Committee for Trade and the International Food and Agricultural Trade Policy Council. Formerly, he was Director of Rural Development at the World Bank, Dean of Agriculture at Purdue University, and Assistant Secretary for Economics at the US Department of Agriculture.



**Kraissid Tontisirin** is Director of the Institute of Nutrition at Mahidol University in Thailand and FAO's former Director of the Nutrition and Consumer Protection Division. He is President of the 2009 International Congress of Nutrition Organizing Committee, which was held in Bangkok in October 2009. He has an extensive background in successful efforts to improve diets and reduce nutritional deficiencies in developing countries.



**Ajay Vashee** was, most recently, President of the International Federation of Agricultural Producers (IFAP), which represented farmers at the world level. Elected at the 38th IFAP World Farmers' meeting in June 2008, he was the first President from a developing country (Zambia).



**Ann M. Veneman** has a distinguished career in public service. Most recently, she served as Executive Director of UNICEF from May 2005 to April 2010; previously, she was US Secretary of Agriculture from 2001 to 2005. While at UNICEF, she worked to advance issues to support child health and nutrition, quality basic education for all, access to clean water and sanitation, and the protection of children and women from violence, exploitation and HIV/AIDS. In 2009, she was named in the Forbes 100 Most Powerful Women list, ranking 46th. Ann M. Veneman serves as co-chair of Mother's Day Every Day, a bipartisan campaign to raise awareness and resources to improve the health of mothers and newborns globally.



**Alexander J.B. Zehnder** is the Scientific Director of the Alberta Water Research Institute in Edmonton, Canada, founder and director of Triple Z Ltd, Visiting Professor at NTU, and Professor Emeritus of ETH Zurich. His major knowledge areas comprise qualitative and quantitative aspects of water, water policy, the relation between food and water security, virtual water trade, water infrastructures; scientific and economic fundamentals for sustainable development; developing capital market instruments; microbiology; managing small and medium enterprises and large public institutions and universities.

## The Nestlé Nutrition Council

The Nestlé Nutrition Council is an independent advisory panel made up of leading international nutrition scientists. It is instrumental in advising on and challenging the reviews of our research programmes. The Council considers and advises our senior management team on nutrition challenges and their potential impact to Nestlé's policies and strategy. It also organises the Annual Nestlé International Nutrition Symposium. The

Council is chaired by Executive Vice President, Stefan Catsicas, and meets twice a year. Nestlé members include: Edward Baetge, Thomas Beck, Gregory Behar, Stefan Catsicas, Nandu Nandkishore, Jose (Pepe) Saavedra, and Heiko Schipper.

### External members



**Keiko Abe** is Professor Emeritus and Project Professor at the University of Tokyo. She leads a Health and Anti-Aging project at Kanagawa Academy of Science and Technology (KAST) and is a committee member on several governments and corporate boards. She also heads Prime Minister Abe's Cross-ministerial Strategic Innovation Promotion Program (2014–2019) on next-generation functional foods and agricultural-fishery products. She has received many honourable awards, including the Purple Ribbon Medal.



**Dominique C. Belli** is Head of the Pediatric Department in the University Hospital of Geneva, Switzerland. He is a member of the Swiss Pediatric Committee on Nutrition, as well as of the European Society for Pediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN), having also served as a council member and Treasurer of ESPGHAN for several years.



**Zulfigar Ahmed Bhutta** is the Robert Harding Inaugural Chair in Global Child Health at the Hospital for Sick Children, Toronto, the Co-Director of the SickKids Centre for Global Child Health, and the Founding Director of the Center of Excellence in Women and Child Health, at the Aga Khan University. He represents global academic and research organisations on the Global Alliance for Vaccines and Immunizations (GAVI) Board, is the Co-Chair of the Maternal and Child Health oversight committee of WHO EMRO, and also of the Global Countdown for 2015 Steering Group.



**Adam Drewnowski** is Director of the Center for Public Health Nutrition; Professor of Epidemiology at the University of Washington, and a member of the Fred Hutchinson Cancer Research Center in Seattle. He has advised governments, foundations and industry on issues related to sustainable food and nutrition security and is the author of over 250 publications in peer-reviewed journals. Dr. Drewnowski is a trustee of the International Life Sciences Institute (ILSI) and Chair of the board of trustees of ILSI Research Foundation.



**Titia de Lange** is the Leon Hess Professor, American Cancer Society and Director of the Anderson Center for Cancer Research at the Rockefeller University, where she has held a faculty position since 1990. She is also the 2013 recipient of the Breakthrough Prize in Life Sciences for her research on telomeres.

## External members



**Susan M. Gasser** is the Director of the Friedrich Miescher Institute for Biomedical Research. She holds a professorship at the University of Basel, before which, she was Professor of Molecular Biology at the University of Geneva. Recognised for her groundbreaking work in epigenetic inheritance and genome stability, she has been elected to the Académie de France, the Swiss Academy of Medical Sciences, EMBO, and has received multiple awards including the FEBS-EMBO Women in Science Award. An advisor to the European Commission, Susan Gasser also serves on scientific review panels for institutes across Europe.



**Michael Gibney** is Professor of Food and Health at University College Dublin. He has previously held academic posts in nutrition at the medical schools of Trinity College Dublin and The University of Southampton. He served as the President of the Nutrition Society and has participated at high-level advisory committees to the EU and the UN, as well as national agencies. His research is focused on the integration of public health nutrition and molecular nutrition.



**Josef Penninger** is founding director of the Institute of Molecular Biotechnology (IMBA) of the Austrian Academy of Sciences in Vienna, and formerly a lead researcher at the Amgen Research Institute in Toronto. He has been awarded the Descartes Prize, the Wittgenstein Prize of the Austrian Federal Government, the Ernst Jung Prize for medical excellence, the Award as Elected Fellow of the American Association for the Advancement of Science, the Innovator Award from Era of Hope/DOD and a second ERC Advanced Grant.



**Susanne Suter** is the president of the Nestlé Foundation for the study of problems of nutrition in the world. She is the former Head of the Department of Pediatrics, Medical Faculty, University of Geneva and Director of the University Children's Hospital, Geneva. She served as a member of the Research Council of the Swiss National Science Foundation, and later as the President of the Swiss Science and Technology Council, as well as a member of the senate of the Austrian Academy of Sciences. She is a member of the Senate of the Leibniz Gemeinschaft in Germany.



**Bruno Vellas** is currently Chairman of the Toulouse Gerontopole, Chief of the Department of Internal Medicine and Geriatrics at the Toulouse University Hospital, and Chief of the Alzheimer Disease Clinical Research Centre, University of Toulouse and member of INSERM (the National Institute of Medical Research) 1027 Unit on Aging. He was nominated Officier de la Légion d'Honneur and is a corresponding member of the French National Academy of Medicine.



**Weiping Wang** is Honorary Director of the Pediatrics Research Institute at the Children's Hospital of Fudan University. He has also served as President of the Children's Hospital and Executive Vice-President of the former Shanghai Medical University (SMU). He is the Administrative Committeeman of the Committee of the Chinese Medical Association, and serves as a consultant to the Committee of the National Association of Growth and Development in children, in China.

# Stakeholder engagement

We understand the importance of maintaining an effective dialogue with our stakeholders, it helps us to create shared value and to deliver our commitments, which often requires a collaborative approach. Our global engagement activities with stakeholders are coordinated by the Nestlé Public Affairs team and delivered through regular stakeholder convenings and a series of Nestlé Creating Shared Value Fora. Our individual businesses engage with stakeholders at a country level. The outcomes of these activities are fed back to senior management and taken into account during the strategic development of our policies and action plans for the following year. Feedback from our stakeholder convenings is also considered when assessing the material issues of our business.

## Our stakeholder groups

Our global stakeholder network is vast, ranging from people we engage with regularly during our operations to those whose public positions influence our activities. Nestlé identifies the following groups as fundamental to our continuing business success:

- Academia;
- Communities;
- Consumers and the general public;
- Customers;
- Employees;
- Governments;
- Industry and trade associations;
- Intergovernmental organisations;
- NGOs;
- Reporting agencies;
- Shareholders and the financial community; and
- Suppliers (including farmers and smallholders).

## Nestlé stakeholder convenings

Our stakeholder convenings are hosted and organised by external experts, to ensure that we receive independent opinions and feedback. The events address issues that are specific to our value chain and key focus areas where we can create shared value.

### Locations of our stakeholder convenings

<b>2007</b>	Geneva
<b>2008</b>	Washington DC
<b>2009</b>	Geneva and Kuala Lumpur
<b>2011</b>	New Delhi and London
<b>2012</b>	Nairobi and London
<b>2013</b>	London
<b>2014</b>	London and Jakarta

In 2014, we held stakeholder convenings in London (49 stakeholders) and Jakarta (90 stakeholders), which were attended by representatives of NGOs, academia, government, industry associations and international bodies.

The annual global stakeholder convening held in London on 28 April 2014 featured senior executive participation from Nestlé SA Chairman Peter Brabeck-Letmathe (last year it was CEO Paul Bulcke) and Nestlé UK & Ireland CEO Fiona Kendrick. The convening included presentations given by the Nestlé SA Public Affairs team, a stakeholder panel discussion and focused discussions on nutrition, the environment and sustainability, human rights and compliance and rural development. There was a strong focus during discussions on the Nestlé business model and our role in influencing collective action and in facilitating change for sustainable development.

The Indonesia stakeholder convening was held in Jakarta on 15–16 December 2014. It marked our largest convening to date, attended by stakeholders as well as Nestlé senior executives including Executive Vice President Nandu Nandkishore and Nestlé Indonesia President Director Arshad Chaudhry, and experts from local and global teams. This is understood to have been the first stakeholder engagement event in a 'convening format' to have been held by industry in Indonesia. Discussion was characterised by a strong understanding of the interconnectedness of Creating Shared Value issues, consensus on the need for coordinated, collective action, and commitment to advancing multi-stakeholder solutions with Nestlé. Stakeholders called on Nestlé to leverage its structures to coordinate action in multiple Creating Shared Value areas.



Participants at the convenings made a number of recommendations, which we have shared below.

Stakeholder recommendations 2014 <sup>10</sup>	
Develop and communicate a long-term CSV vision for Nestlé as a whole and in each CSV focus area.	<p>Stakeholders want to see Nestlé articulate a longer-term vision for what ‘the world’s leading Nutrition, Health and Wellness company’ would look like in 5, 10 and 15 years’ time, and potentially in different countries or regions.</p> <p>Stakeholders encouraged Nestlé to continue to focus on the outcomes secured by delivering on its nutrition, health and wellness commitments.</p>
Advance product portfolio changes to be best in class in all product categories – emphasising ‘adding good stuff in’ as well as ‘taking bad stuff out’, providing useful portion guidance and, ultimately, divesting unhealthy brands.	<p>Stakeholders called on Nestlé to continue to address urgently the basics of sugar, fat and salt, and to work on micronutrient fortification in middle- and lower-income countries.</p> <p>Some also wanted to see Nestlé ultimately divest less healthy items from its portfolio, while others were interested in what Nestlé could do to continue to improve portion guidance.</p>
Engage more actively on the early childhood nutrition agenda.	<p>Nestlé was encouraged to find common ground with organisations in this challenging area.</p> <p>Stakeholders see both stunting and childhood obesity as urgent health concerns where Nestlé can play a more active role in finding solutions.</p>
Ensure both that Nestlé’s marketing is ‘pristine’ in every market and that Nestlé uses its influencing power to drive better marketing across the industry.	<p>There is a desire to see Nestlé lead the industry to reframe the marketing environment that children are exposed to, and to work with retailers to drive more responsible marketing practices such as reducing or eliminating multi-buy promotions of foods high in sugar, salt and fat.</p>
Use Nestlé’s advocacy and convening power with governments and with industry peers to promote better health and nutrition.	<p>Stakeholders want to see Nestlé engaging with governments and positively influencing industry legislation on the health and nutrition agenda.</p> <p>They suggested that Nestlé could lead an industry contribution to preventing diabetes and promoting healthier eating policies.</p> <p>They also encouraged Nestlé to tackle hunger and malnutrition with stunting as a more specific focus.</p>
Contribute to industry-wide learning in terms of ‘doing well AND making a profit’ and influencing corporate and consumer behaviour.	<p>Stakeholders would like to see Nestlé be transparent about the challenges it faces in terms of balancing profit and change in the short and long term, particularly in competitive environments where others are not participating in a ‘race to the top’, eg in regions such as China.</p> <p>Stakeholders also suggested that Nestlé promotes research and data that can be used to drive corporate action or consumer behaviour change, such as the economic cost of food waste or how to influence healthier eating decisions.</p>
Leverage existing systems across the whole supply chain to engage and initiate education at a grassroots level to increase understanding and awareness of health and nutrition issues (including food safety and Non Communicable Diseases) for farmers, suppliers, employees, communities, consumers, business and students.	<p>Stakeholders recognised how nutrition is a broad issue with an integrated dynamic involving the whole supply chain (from farm to ‘table’: healthy farmers to healthy crops to healthy nutrition to healthy people). They want to see Nestlé raise awareness and increase education specifically in the area of public health, nutrition (threshold levels for sugar and salt) and food safety as a means to tackling the NCDs and the ‘double burden’ of malnutrition.</p> <p>Recommendation that engagement should be done at the local grassroots level, eg mother and child groups in the villages.</p>
Share research data, information and best practice.	<p>There was agreement among stakeholders that collective action could help fill gaps in information and align communication of key public messages. There was a call for Nestlé to share its data and best practices from other markets for replicability and scale, eg human rights work and data on health and nutrition or the ‘greening supply chain’ model from Pakistan.</p>
Move beyond using language of compliance in the CSV triangle and commitments, and be more ambitious.	<p>Stakeholders want Nestlé to be more vocal about its more ambitious targets as a means to influencing best practice across the industry.</p>

10 Source: SustainAbility – based on 2014 convenings in London and Jakarta.



## The Creating Shared Value Forum 2014

On 9 October 2014, Nestlé co-hosted the 6<sup>th</sup> [Creating Shared Value Forum](#), in Switzerland, with the United Nations Conference on Trade and Development. This year, our focus was on how governments and civil society can work with business to accelerate sustainable development. The forum provided a space for debate, involving over 20 leading international experts from government, academia, civil society and business, and hundreds of others. Discussions took place around how to accelerate sustainable development, with a key focus on nutrition, water and rural development. Over 200 guests attended in person, 1 434 took part online, and the event attracted 5 948 tweets on Twitter.

### The Nestlé Creating Shared Value Prize

At the Creating Shared Value Forum, we were delighted to announce Honey Care Africa, an East African fair trade honey company working with farmers in South Sudan, as the third winner of the Nestlé Creating Shared Value Prize.

The prize is awarded by the Nestlé CSV Council every two years, and this year, more than 757 applications from 93 countries were received. The competition seeks social business-oriented initiatives that have been tested on a small scale and shown to have positive social and environmental impacts, but that need support to become commercially viable. It is open to social and private enterprises, as well as non-government organisations.

The prize, an investment of CHF 500 000, shared between the winner and two runners-up, rewards innovative businesses that create value for communities by addressing issues of nutrition, water and rural development. The prize-giving was live-streamed, with a direct video link to representatives of all three finalists in Nairobi, Kenya.



We offer our congratulations to all of the award winners and we're delighted that the prize money will support the sustainability of their great work."

**Paul Bulcke, CEO, Nestlé**

### Winner: Honey Care Africa

[Honey Care Africa](#) is a fair trade honey company, supporting thousands of smallholder farmers in South Sudan to emerge from poverty by helping them become commercial beekeepers. Through the Sweeter South Sudan programme, the company is providing rural smallholders with the opportunity to generate additional income through honey production, in an area where the lush equatorial forests provide a rich source of nectar for the bees. Honey Care Africa is creating a commercial, efficient value chain for honey by training farmers, organising networks or SWARM clusters and guaranteeing a market for honey at fair prices. They plan to use the prize money to help 35 000 farmers become commercial beekeepers by 2017, and is expected to have an impact on more than 20 000 people locally.



Honey Care Africa aims to create a commercial, efficient value chain for honey by training smallholder producers organising them into networks called SWARM Clusters.



The Creating Shared Value Prize is such a wonderful recognition of the hard work and passion of our team, farmers and customers in Africa. And what is even more exciting is the opportunity to build a long-term relationship with Nestlé, as we leverage our sustainable local supply chain with Nestlé's global resources and expertise."

**Madison Ayer, Chairman and CEO,  
Honey Care Africa**

**Runner-up: MSABI**

[MSABI](http://msabi.org/) is a not-for-profit organisation that runs one of the largest rural water, sanitation and hygiene programmes in Tanzania, where only 47% of the rural population have access to safe water and only 15% have access to improved sanitation.<sup>11</sup> Through a community approach that is demand-driven, the MSABI team helps to develop sustainable local businesses that improve livelihoods and wellbeing. Selected for their True Life Water Point programme, MSABI specialises in reaching remote rural communities at the end of the delivery chain using local transport, bicycles and motor bikes. Over two years, the prize money will help MSABI's True Life Water Point programme to provide access to safe water for about 40 000 people in the districts of Kilombero, Kilosa and Ulanga.



Water points are established through a market-based approach and installed by locally trained service providers.

“

Being a recipient of the Nestlé Creating Shared Value Prize is a great honour highlighting the emergence of our organisation, MSABI, as an innovative leader in the incubation of water, sanitation and hygiene enterprises. The prize money and collaboration with the global Nestlé team will contribute towards further testing, validating and scaling our Pump 4 Life subscription-based water point maintenance service delivery business across Tanzania and beyond.”

**Dale Young, Managing Director, MSABI**

**Runner-up: Sanergy**

[Sanergy](http://sanergy.co.ke/) is a social enterprise that designs and manufactures low-cost and high-quality sanitation facilities for informal settlements in Kenya. They produce Fresh Life Toilet facilities that are franchised to local residents who receive the training, access to finance and ongoing support they need to maintain the business. Sanergy operates a daily collection service to ensure that waste cartridges are safely removed by wheelbarrow, handcarts and/or trucks and taken to a centralised facility where they are converted into useful by-products, such as organic fertiliser and renewable energy. This network of Fresh Life operators generates local demand and ensures that the toilets are kept clean. Sanergy will put the prize money towards expanding the provision of affordable and hygienic sanitation throughout Africa, reaching more than 500 000 residents in low-income urban areas and creating 1 500 new jobs across the continent over the next five years.



Waste is collected every day by 'Fresh Life Frontline', who are trained and properly equipped to remove the filled cartridges and replace them with empty ones.

“

What winning the prize means? It is that extra support that we need to get to 'sustainability'. Because we're very close and Nestlé's support will really help us get over that final hurdle.”

**David Auerbach, Co-founder, Sanergy**

<sup>11</sup> <http://msabi.org/> (04/02/15)

# Public policy and advocacy

Companies are increasingly playing an active role in society, including in the development of laws, rules and policy documents. Today, businesses (including Nestlé) are often expected and asked to participate in such activities. Providing our expertise to assist informed decision-making, working in collaboration with governments, authorities and other relevant bodies, is therefore an important responsibility. We have procedures in place that support consistent transparent interaction, and ensure that engagement is carried out professionally and with high standards. All of our policies are available to the public on the [Documents and reports](#) section of our website, and we publish our positions on key issues in the website section, [Ask Nestlé](#).

## Committed to transparency

Nestlé is listed in the European Union Transparency Register which gives citizens direct access to information on who engages with decision-makers and we follow the register's code of conduct when interacting with EU institutions. In the USA, we file quarterly public reports with the US Congress which outline our engagement activities.

To ensure our employees behave consistently and transparently when they interact with stakeholders, we outline our expectations in the [Nestlé Policy on transparent interaction with authorities and organisations](#). We provide training for all country-level public affairs staff at our International Training Centre in Rive Reine, Switzerland. In 2013, we launched 'Tell Us', an online external grievance system that enables our stakeholders to raise any concerns they may have with us directly.

## Industry platforms and advocacy

With the increasing integration and sophistication of the value chain, business practices have become more complex and sophisticated. Nestlé believes that participating in industry collective efforts can help to raise industry standards, making an industry more efficient and successful. Our [external stakeholders](#) have also asked us to leverage our structure to coordinate action and influence best practice across the industry.

### Employee guidelines for industry and trade associations

Due to our size, the diversity of our business and our presence in the market and across the world, we are involved in many industry organisations and trade associations at all levels. Our efforts require expertise, resources, coordination and alignment across our business. To streamline the involvement of our employees, we have developed guidelines to help markets manage relationships, in alignment with corporate strategy.

Published in May 2014, the internal guidelines contain a structured approach and recommendations for participating in industry and trade associations, helping our employees to:

- Understand the association landscape;
- Set priorities and select the relevant industry associations; and
- Develop rules of engagement with industry associations.

# Partnerships and collective action

As a global company, Nestlé faces a wide range of challenges from rising obesity to deforestation and child labour. We recognise that the issues involved are complex and they call for joint action to achieve sustainable results. We are engaged in collective activities with partners and like-minded stakeholders at a global and a local level, which include multi-lateral agencies, international organisations, governments, academia and NGOs and industry. Our involvement helps us to listen and learn from different opinions, share experiences and contribute positively to the implementation of best practice.

## A strategic approach

We benefit from engaging with diverse stakeholders and working together, maximising what can be achieved. At all levels, we seek opportunities for non-competitive solutions that:

- Address economic, social and environmental challenges;
- Support our own Creating Shared Value focus areas; and
- Build trust in our company.

To make each partnership or collective action effective, a key challenge is to clearly define the roles and responsibilities within each multi-stakeholder group. We believe long-term relationships also play an important role in delivering successful outcomes, as they help to build the trust that is necessary to inspire and deliver results.









































## Key partnership highlights 2014

- At this year's Creating Shared Value Forum, we renewed our long-standing partnership with the International Federation of Red Cross and Red Crescent Societies (IFRC), contributing CHF 5 million over five years to the organisation. Together, we are rehabilitating water and sanitation infrastructure and improving health and hygiene awareness in Côte d'Ivoire, and we will extend activities to Ghana. We are continuing to support the emergency relief operations of the IFRC and its national societies, and at present, we are preparing a response to the Ebola crisis in West Africa, through cash and product donations, and volunteer efforts from the company and its employees. We have now implemented an online system for convenient cash contribution towards emergency relief operations and are also sponsoring the production of the World Disasters Report. [Read more about our partnership...](#)
- The Consumer Goods Forum brings together the CEOs and senior management members of some 400 retailers, manufacturers and service providers across 70 countries. In June 2014, the Board of Directors (including Nestlé CEO Paul Bulcke) issued a set of Health and Wellness commitments, and reaffirmed its commitment to the implementation of its Health and Wellness and Climate Change Resolutions. The board asked members for increased alignment and engagement for the forum's ambitious five-year plan. [Read more about our partnership...](#)
- In a September 2014 letter to WHO Director-General, Dr Chan, the CEOs of leading food and non-alcoholic beverage companies and members of the International Food & Beverage Alliance (including Nestlé) announced a set of enhanced global commitments that will guide their health and wellness strategies over the coming years. [Read more...](#)

## Global, multi-stakeholder platforms, partnerships, alliances and memberships 2014









































To offer insight and provide transparency around our active relationships and our membership of industry alliances or platforms, we have listed them below. Classification of these relationships remains challenging. We have included links to their external websites and additional information contained in this report.

### CSV focus

	Nutrition	Rural Development & Responsible Sourcing	Water	Environmental Sustainability	Human Rights & Compliance	Our People	Nestlé in society
<b>Global Partnerships and Alliances</b>							
<a href="#">Clinton Global Initiative</a>							
<a href="#">Danish Institute for Human Rights</a>							
<a href="#">EPODE International Network</a>							
<a href="#">Every Woman Every Child</a>							
<a href="#">Global Education First Initiative</a>							NiS
<a href="#">Global Good</a>							
<a href="#">Global Road Safety Partnership</a>							
<a href="#">Danish Institute for Human Rights</a>							
<a href="#">International Association of Athletics Federation</a>							
<a href="#">International Cocoa Initiative</a>							NiS
<a href="#">International Dual Career Network</a>							
<a href="#">International Federation of Red Cross and Red Crescent Societies</a>							NiS
<a href="#">Proforest</a>							
<a href="#">Project Wet Foundation</a>							
<a href="#">Solidaridad</a>							
<a href="#">Stockholm International Water Institute</a>							
<a href="#">Sustainable Fisheries Partnership</a>							
<a href="#">The Forest Trust</a>							NiS
<a href="#">Water Benefit Partners</a>							
<a href="#">World Business Council for Sustainable Development</a>							
<a href="#">World Animal Protection</a>							
<b>Regional Partnerships and Alliances</b>							
<a href="#">Inter-American Development Bank – Silvopastore, Colombia</a>							NiS
<a href="#">Salt Smart Americas initiative</a>							
<b>Memberships in multi-stakeholder platforms and alliances</b>							
<a href="#">2030 Water Resources Group</a>							
<a href="#">Alliance for Water Stewardship</a>							
<a href="#">Caring for Climate</a>							NiS
<a href="#">Climate Disclosure Standards Board</a>							NiS
<a href="#">Fair Labor Association</a>							NiS



G4-15, G4-16, G4-24, G4-25, G4-26, Anti-corruption G4-DMA

	Nutrition	Rural Development & Responsible Sourcing	Water	Environmental Sustainability	Human Rights & Compliance	Our People	Nestlé in society
<b>CSV focus</b>							
<a href="#">Global Reporting Initiative</a>							NiS
<a href="#">Sustainable Food Lab</a>							
<a href="#">United Nations Global Compact CEO Water Mandate</a>							NiS
<a href="#">United Nations Global Compact LEAD</a>							NiS
<a href="#">Water Footprint Network</a>							
<a href="#">World Cocoa Foundation</a> and <a href="#">CocoaAction</a>							
<a href="#">World Economic Forum</a>							
<b>Industry alliances</b>							
<a href="#">Bioplastic Feedstock Alliance</a>							
<a href="#">Bonsucro</a>							
<a href="#">CAOBISCO</a>							
<a href="#">Cambridge Programme for Sustainability Leadership</a>							
<a href="#">Common Code for the Coffee Community (4C Association)</a>							
<a href="#">Consumer Goods Forum</a>							NiS
<a href="#">EU Platform for Action on Diet, Physical Activity and Health</a>							
<a href="#">European Food Sustainable Consumption and Production Roundtable</a>							
<a href="#">European Organization for Packaging and the Environment</a>							
<a href="#">Fairtrade International</a>							
<a href="#">Global Business Coalition for Education</a>							NiS
<a href="#">Global Shea Alliance</a>							
<a href="#">IDH Sustainable Coffee Program (SCP)</a>							
<a href="#">International Food and Beverage Alliance</a>							
<a href="#">International Special Dietary Foods Industries</a>							
<a href="#">International Union of Food Workers</a>							
<a href="#">Rainforest Alliance</a>							
<a href="#">Roundtable on Sustainable Palm Oil</a>							
<a href="#">Sustainable Agriculture Initiative Platform</a>							
<a href="#">Tropical Forest Alliance 2020</a>							
<a href="#">UTZ Certified</a>							
<a href="#">World Cocoa Foundation</a> and <a href="#">CocoaAction</a>							



## Our work with the United Nations

The [United Nations Global Compact \(UNGC\)](#) is a strategic policy initiative for businesses committed to aligning their operations and strategies with [10 universally accepted principles](#) in the areas of [human rights](#), [labour](#), [environment](#) and [anti-corruption](#). Nestlé's own Corporate Business Principles incorporate the 10 UNGC Principles and we reflect the basic concepts of fairness, honesty and respect for people and the environment in our business actions.

We reiterate our strong support for the UNGC, its 10 Principles and its [Blueprint for Corporate Sustainability Leadership](#).

## Our Communication on Progress

As a participant in the UNGC, Nestlé is required to issue an annual Communication on Progress – a public report on how we are implementing the 10 Principles and supporting broader UN Millennium Development Goals. The disclosure increases transparency and accountability, drives improvements in performance and safeguards the integrity of the UNGC and the United Nations. Nestlé's COP can be found [here](#) and the table below briefly outlines the ways we are currently supporting the Principles, providing links to information in the relevant section of this report.

UNGC Principles	How Nestlé supports them	Links to relevant section
<a href="#">Human rights</a> Principle 1 Principle 2	An eight-pillar Human Rights Due Diligence Programme including policy development, targeted training and human rights risk assessments in our operations.	<a href="#">Human rights</a>
	Assessing and addressing human rights impacts in partnership with the DIHR.	<a href="#">Human rights</a>
	Working with the FLA to combat child labour in the agricultural supply chain. We became a formal member of the FLA in 2012.	<a href="#">Child labour</a>
	Community engagement.	<a href="#">Community engagement</a>
	Promoting human rights among our suppliers.	<a href="#">Human rights</a>
<a href="#">Labour</a> Principle 3 Principle 4 Principle 5 Principle 6	Nestlé Policy on Conditions of Work and Employment.	<a href="#">Labour relations</a> <a href="#">Nestlé Corporate Business Principles</a>
	Revised Nestlé Management and Leadership Principles.	<a href="#">Employee and career development</a> <a href="#">Nestlé Corporate Business Principles</a>
	Ongoing CARE Audit Programme (Compliance Assessment of Human Resources, Occupational Health & Safety, Environment and Business Integrity).	<a href="#">Nestlé Corporate Business Principles</a>
<a href="#">Environment</a> Principle 7 Principle 8 Principle 9	A life-cycle approach.	<a href="#">Environmental life-cycle of products</a>
	Ecodesign.	<a href="#">Environmental life-cycle of products</a> <a href="#">Packaging</a>
	ISO 14001 certification.	<a href="#">Managing environmental sustainability</a>
	CEO Water Mandate's work streams on policy engagement, water disclosure and human right to water.	<a href="#">Water: collective action</a>
	Water Resources Review roll-out.	<a href="#">Water in our operations</a>
	Carbon Disclosure Leadership Index 2011.	<a href="#">Climate change</a>
	Transport and distribution.	<a href="#">Transport and distribution</a>
	Energy Target Setting Initiative.	<a href="#">Manufacturing</a>
	Our Responsible Sourcing Audit Programme.	<a href="#">Managing responsible sourcing</a>
	Combating deforestation.	<a href="#">Deforestation</a>
	Nestlé Commitment on Water Stewardship.	<a href="#">Water stewardship</a>
<a href="#">Anti-corruption</a> Principle 10	Code of Business Conduct.	<a href="#">Anti-corruption</a>
	Anti-corruption training tool.	<a href="#">Anti-corruption</a>
	New Group-wide integrity reporting system.	<a href="#">Anti-corruption</a>
	Bribery and Corruption Policy.	<a href="#">Anti-corruption</a>

## UNGC lead

Nestlé is one of nearly 60 companies that make up the leadership platform, UNGC LEAD. As a member of the LEAD Steering Committee, we help to establish work plans and assist with coordination, while taking an active part in a number of LEAD Task Forces, UNGC working groups and UNGC-led initiatives, including:

- UNGC LEAD Post-2015 Development Agenda;
- UNGC LEAD Task Force on UN-Business Partnerships;
- UNGC LEAD Realizing Long-Term Value for Companies and Investors;
- UNGC LEAD Roadmap for Integrated Sustainability;
- UNGC CEO Water Mandate;
- UNGC Food and Agriculture Business Principles;
- UNGC Advisory Group on Supply Chain Sustainability;
- UNGC Human Rights and Labour Working Group;
- Caring for Climate;
- Women's Empowerment Principles; and
- Global Education First Initiative.



Since their launch in 2000, Nestlé has sought to help attain the UN Millennium Development Goals (MDGs), regarding them as highly important objectives for improving the state of the world. Our belief is that community-based partnership solutions which respond to local needs while harnessing local knowledge and capabilities are key to positive, sustainable change.

## How we are meeting the UN's Millennium Development Goals:

Goals	Our activities
<b>MDG 1</b> Eradicate extreme poverty and hunger	<a href="#">The Nescafé Plan</a> <a href="#">The Nestlé Cocoa Plan</a> <a href="#">The Rural Development Framework</a> <a href="#">The Nespresso AAA Sustainable Quality Program</a>
<b>MDG 2</b> Achieve universal primary education	<a href="#">Global Education First Initiative</a> <a href="#">Building schools with the World Cocoa Foundation</a>
<b>MDG 3</b> Promote gender equality and empower women	Signatory to the <a href="#">Women's Empowerment Principles</a> <a href="#">Women dairy farmers, India</a> <a href="#">Nestlé Action Plan on women in the cocoa supply chain, Côte d'Ivoire</a>
<b>MDG 4</b> Reduce child mortality	<a href="#">Water and sanitation projects, South Asia</a> <a href="#">Action Plans to eliminate child labour, Côte d'Ivoire, Turkey and Madagascar</a>
<b>MDG 5</b> Improve maternal health	<a href="#">Global commitment on micronutrient fortification and 200 billion servings by 2016</a>
<b>MDG 6</b> Combat HIV/AIDS, malaria and other diseases	<a href="#">HIV/AIDS employee wellness programmes in South Africa</a>
<b>MDG 7</b> Ensure environmental sustainability	<a href="#">Combating deforestation: partnership with The Forest Trust</a> <a href="#">Optimisation programme to reduce packaging</a>
<b>MDG 8</b> Develop global partnerships	<a href="#">See our full list of partnerships</a>

## UNGC LEAD: Post-2015 development agenda

UN Member States are now considering new [Sustainable Development Goals \(SDGs\)](#), to complement or replace the [Millennium Development Goals](#). The proposed SDGs would be consistent with the post-2015 development agenda, and would be centred on the principles of sustainable development.

LEAD companies, such as ourselves, contribute to both the formulation of post-2015 objectives and the design of an architecture that will support the realisation of related goals. Nestlé is an active member of the LEAD Task Force working on the post-2015 development agenda.

We have provided input into different outcome documents such as the Post-2015 Business Engagement Architecture, the Poverty Footprint Advisory Group, the Role of Business and Finance in Supporting the Post-2015 Agenda, as well as the Business Impact assessment and Goal setting (BIG) that is currently in development.

We believe that business can play an important role in helping to addressing global sustainable development challenges. The post-2015 agenda provides an excellent opportunity for businesses to align corporate goals with these important global priorities, instigating clear private sector targets that will help to deliver the new SDGs.

We are actively participating and contributing to the post-2015 agenda through these various platforms:

- As part of the Swiss contribution to the post-2015 agenda, we helped elaborate the Swiss position;
- We engaged with UNCTAD at its World Investment Forum and have input into UNCTAD contribution;
- We participated at the ECOSOC High-level Political Forum on Sustainable Development focusing on the post-2015 agenda;
- We presented the Nestlé position on the post-2015 development agenda to Principles for Responsible Management Education (PRME); and
- We presented the LEAD Architecture to UN ambassadors and UN agency heads, and PRME, Principles for Responsible Investment and LEAD core companies at a UNGC board luncheon hosted by the UN Secretary General.

## UNGC LEAD: Task Force on UN business partnerships

Nestlé is active in the UN Business Partnership Task Force, which seeks to strengthen the UN system to engage business to address global developmental challenges, by enhancing existing partnerships between the UN and the private sector and building new ones. In 2014, the Task Force identified four priority countries that would benefit from training and partnership support organised by the UN and The Partnering Initiative; they were Brazil, Colombia, India, and Kenya.

Our markets in these locations expressed an interest in taking part at a country level and they are in direct contact with the corresponding UNGC local networks: Nestlé Colombia has participated throughout the year in local UNGC meetings; Nestlé Kenya was featured as a best practice example in 'A study on the best case practice by businesses on Climate Change Adaptation & Mitigation', a publication by the Global Compact Network Kenya, scheduled to be issued in early 2015; and Nestlé India participated in the upcoming publication 'Part-

nerships and Collaborations Survey on Water, Sanitation and Hygiene (WASH) and Water Resource Management (WRM)' by UNGC India. Nestlé Brazil resumed its relationship with the UNGC in 2014 and is formulating a participation plan for 2015.

## UNGC LEAD: Realising long-term value for companies and investors

This project aims to improve the ability of businesses to analyse how sustainable strategies translate to financial value, and to communicate these results more effectively. As part of the working group, we are also contributing to the work stream on Building Sustainable Capital Markets and Shaping the Future of Corporate Reporting.

## UNGC LEAD: Roadmap for integrated sustainability

This new initiative is seeking to produce a practical roadmap for integrating sustainability across business functions. A work plan with several regional consultations has been drafted for 2015. LEAD participants (including ourselves) have been asked to identify and prioritise business functions, share experiences, and share their own effective approaches, to assist with its development.


## UNGC CEO Water Mandate

Launched in 2007, the UNGC's CEO Water Mandate is a unique public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. It covers six elements: direct operations; supply chain and watershed management; collective action; public policy; community engagement; and transparency.

Nestlé is a founding signatory and we participated in the mandate's 13<sup>th</sup> (Lima) and 14<sup>th</sup> (Stockholm) Working Conference in 2014. We are active members of the mandate's three work streams and publish a [Communication on Progress](#) every year:

- **Responsible policy engagement and collective action:** the mandate has released a [Guide to Water-Related Collective Action](#) which offers good practice to help companies establish enduring relationships with a broad spectrum of stakeholders, leaders, and individuals that advance shared water-related goals.
- **Water and human rights:** In 2014, the mandate provided practical insights on how companies can best meet their responsibility to respect the human right to water and sanitation, taking into account their existing corporate water stewardship practices. Task force members (including Nestlé) have participated in a consultation for a study, [Exploring the Business Case for Corporate Action on Sanitation](#). The study makes the case for company action on sanitation as a moral imperative, highlighting business risks arising from a lack of sanitation and opportunities from interventions. Continuing its partnership with [Shift](#), the mandate is also drawing on Oxfam America's extensive expertise to develop the [Guidance for Companies on Respecting the Human Rights to Water and Sanitation: Bringing a Human Rights Lens to Corporate Water Stewardship](#), which has been co-funded by Nestlé.

- **Corporate water disclosure:** Building on the experiences of existing water disclosure initiatives, the work stream seeks to improve water reporting by developing a common approach, through a set of global Corporate Water Disclosure Guidelines. Nestlé has contributed to the water disclosure guidelines, and participated in the launch of the guidelines at 2014 [World Water Week](#) in Stockholm. Key strategic partners in the collaboration include [PricewaterhouseCoopers](#), [Carbon Disclosure Project](#), [World Resources Institute](#), and [Global Reporting Initiative](#).

 **Read more about** our work in support of the CEO Water Mandate [here](#).

### UNGC Food and Agriculture Business Principles

We are a founding and funding participant of the UNGC's voluntary [Food and Agriculture Business Principles](#) (FAB). They serve as a framework for principle-based company collaborations with the UN, governments, civil society and other stakeholders. The principles will help to design and deliver effective, scalable and practical solutions to make food systems secure and agriculture sustainable.

The FAB principles have emerged from an intensive process of consultation led by Global Compact businesses, and including the Food and Agriculture Organisation (FAO), international organisations, NGOs and academic institutions who have interests and expertise in the food and agriculture sector. These principles offer a basis for responsible businesses to align their practices to the goals of the UN as articulated in the Rio+20 outcome document, [The Future We Want](#); and to contribute to fulfilling the strategies of UN agencies. The FAB team will work on an implementation plan and the next phase of the principles (including alignment with the FAO's Principles for Responsible Investments in Agriculture).

We have continued our engagement through Executive Board member Jose Lopez, who co-chaired the Steering Group and the launch of the principles in September 2014, while our Operations team is involved in the Core Advisory Group. [Read more here...](#)

### UNGC Advisory Group on Supply Chain Sustainability

Nestlé is a member of this advisory group, which seeks to inform and advise members about supply chain sustainability across UNGC key issues. In 2014, it launched a [Guide to Traceability](#), which offers an overview on the importance of traceability in order to meet corporate sustainability objectives and summarises practical steps for implementation. We have participated throughout the year in the group's work streams on traceability and human rights.

### UNGC Human Rights and Labour Working Group

The UNGC Human Rights Working and Labour Group is a multi-stakeholder group that aims to advance United Nations values and responsible business practices within the UN system and the global business community. We are a member of this Working Group and have contributed to the development of guidance materials for business on how to respect and support human rights. Nestlé's Head of Legal participates in the consultation to develop a Guide for General Counsels on Corporate Sustainability, together with our law firm Linklaters.

### UNGC Anti-Corruption Working Group

Nestlé joined the UNGC's Anti-corruption Working Group and the *Call to Action: Anti-Corruption and the Global Development Agenda*, in 2014, and is represented by our Head of Corporate Compliance. Through the Call to Action companies ask governments to promote anti-corruption measures and implement robust policies for good governance. In December we participated in an event to commemorate the 10<sup>th</sup> anniversary of the UN Global Compact's 10<sup>th</sup> Principle against Corruption, which explored efforts in emerging markets and highlighted innovative anti-corruption measures.

### UNGC-led initiatives

**Caring for Climate:** This initiative is a joint initiative between the UNGC, the secretariat of the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#) and the [United Nations Environment Programme \(UNEP\)](#). It helps companies to implement and recommend climate change solutions and policies. In 2014, we endorsed the initiative and in September 2014, our Executive Board member, Jose Lopez, participated in the [UN Climate Summit](#) in New York. [Read more here...](#)

**Women's Empowerment Principles:** In 2013, we signed up to the Women's Empowerment Principles, a set of seven steps for businesses to advance gender equality and empower women to participate fully in economic life in the workplace, marketplace and the community. The principles are a partnership initiative between the UNGC and [UN Women](#). In 2014, Nestlé was able to provide 1 714 619 women in Asia and Africa with fundamental business and entrepreneurial skills. In the farming communities, Nestlé empowered over 140 000 women across Asia and Africa with technical assistance, such as best practices in dairy farming and food safety, and provided cocoa and coffee farmers with high-yield and disease-resistant plantlets.

Following the publication of the [Fair Labor Association's](#) assessment of our cocoa supply chain in Côte D'Ivoire in July 2014, we expressed our determination to strengthen our efforts to promote and support the role that women play in our cocoa supply chain through the [Nestlé Cocoa Plan](#) and the [Rural Development Framework](#).

 **See also** our updated [Action Plan](#).

Our vision is to empower women for better livelihoods by promoting equal opportunities, giving women a voice and helping increase women's income. To achieve this, we organised training on gender issues for cooperatives in the Nestlé Cocoa Plan in Côte d'Ivoire, focusing on Nestlé's own field staff and those of our suppliers. We have also started developing and promoting local women's associations connected with our supply chain, helping to train four cocoa cooperatives on gender issues to open more roles to women, such as lead farmers and nursery managers. The cooperatives have since produced their own action plans for improving the positions of women in the cocoa supply chain.

Since 2009, we have distributed more than 300 000 cocoa plantlets through a women-led cooperative named Copaz, of which about 70% of the plantlets go to women. The number of women who lead and oversee Nestlé cocoa plantlet nurseries has increased from 3% to 23%. There are a total of 32 Nestlé-run plantlet nurseries. Starting in 2014, [our programme](#) with the [International Cocoa Initiative](#) has helped groups of women to improve their food production for cash. [Read more here...](#)

**Global Education First Initiative:** We have committed to support the UN Secretary-General's Global Education First Initiative through the Nestlé [Healthy Kids Global Programme](#), as well as the [World Cocoa Foundation Schools Project](#) and water and sanitation programmes in schools in Côte d'Ivoire. In 2014, we are on track to deliver against our commitments with the Healthy Kids Global Programme active in 73 countries and with the recent renewal of our partnership with the [International Federation of Red Cross and Red Crescent Societies \(IFRC\)](#), including our joint programme to improve access to water and sanitation in Côte d'Ivoire. We are expanding partnership activities with the IFRC to [Ghana](#).

In addition, we have joined the [Global Business Coalition for Education \(GBC-Education\)](#), a forum that connects business to make a lasting impact on the lives of children and youth through education. Through GBC-Education Nestlé participated in a research interview on monitoring and evaluating corporate investments in education. Nestlé engaged in The Pakistan Working Group, established in 2014 to accelerate education delivery in Pakistan. The group is developing projects on health and education, financing for education, and championing the Right to Education under article 25A in the Pakistan's constitution. In partnership with GBC-Education, we are looking at opportunities to develop our education-oriented programmes and work to accelerate progress in delivering quality education for all of the world's children and youth in concrete, measurable ways.

## Guiding principles

In our work, we are guided by a range of global principles, including the:

- UN Framework and Guiding Principles on Business and Human Rights;
- International Bill of Human Rights;
- Eight Core International Labour Organization Conventions;
- World Health Organization's (WHO's) International Code of Marketing of Breast-milk Substitutes as implemented by national governments; and
- The UN Convention on the Rights of the Child.

## International human rights standards

We are committed to respecting human rights according to the UN Framework and Guiding Principles on Business and Human Rights, as set out in the International Bill of Human Rights, made up of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the eight ILO Core Conventions. [Read more](#)

## Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises

We adhere to the OECD Guidelines for Multinational Enterprises, which were updated in 2011 to include human rights.

## WHO International Code of Marketing of Breast-milk Substitutes

We comply with the WHO Code (Code) as implemented by national governments around the world. We have stringent Code compliance policies and procedures through the Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes. We are included in the FTSE4Good Index – the only global responsible investment index with clear criteria on the marketing of breast-milk substitutes (BMS). In 2014, our practices were audited in 39 countries by internal auditors and in four by external auditors. In light of the recommendations, we have enhanced our transparency and good governance mechanisms, and strengthened our compliance systems. [Read more](#)

## WHO Global Action Plan on the Prevention and Control of Non-communicable Diseases 2013 to 2020

In September 2011, the United Nations High-Level Meeting on the Prevention and Control of Non-communicable Diseases called for multi-stakeholder efforts to effectively address and tackle public health challenges. Nestlé supports the whole-of-society approach and believes that we can be part of the solution to help prevent and control non-communicable diseases.



The WHO Global Action Plan 2013–2020 and the Global Monitoring Framework, as well as the voluntary global targets, were adopted during the World Health Assembly in May 2013 as a concrete step towards reducing the incidence of non-communicable diseases globally. We support the actions recommended in the WHO Global Action Plan for our industry on product reformulation, nutrition labelling and restrictions on marketing of foods high in sugar, salt and fat to children. We are transparent in our nutrition and health commitments, and report annually and publicly on our progress.

In November 2014, The Second International Conference on Nutrition (ICN2), an inclusive inter-governmental meeting on nutrition was held in Rome. It was jointly organised by the [Food and Agriculture Organization](#) and the [World Health Organization](#), in cooperation with the High-Level Task Force on the Global Food Security Crisis, [IFAD](#), [IFPRI](#), [UNESCO](#), [UNICEF](#), [World Bank](#), [WFP](#) and the [WTO](#). The conference reviewed the progress made towards improving nutrition and reflected on the remaining problems, establishing the challenges and opportunities which exist due to changes in the global economy and current food systems. These influential meetings allow Nestlé to engage in meaningful dialogue with leading public health agencies to establish opportunities for improving the health and wellbeing of the consumers we serve.

### UN Global Compact local networks

Nestlé engages at the country level with the UNGC local networks. In 2014, 15 of our markets were active members, with Nestlé China participating as a board member of their local network. Nestlé India participated in a Partnerships and Collaborations survey on Water, Sanitation and Hygiene (WASH) and Water Resource Management (WRM), conducted and soon to be released by UNGC India. In addition to active participation in the local Water Mandate Working group, Nestlé Indonesia participated as volunteers in the Global Compact Voluntary Day 2014, representing the private sector. This event focused on Early Childhood Education in the village of Pasir Angin in West Java and provided residents with information on the environment, healthy lifestyles, and also involved some building renovation work.



In December 2014, Nestlé Ghana was featured in the *Global Compact Network Ghana Case Stories*, highlighting our efforts in Creating Shared Value and demonstrating the alignment between Nestlé's strategy and the Global Compact principles. Nestlé Kenya will also feature in a publication by the Global Compact Network in Kenya, called 'A study on the best case practice by businesses on Climate Change Adaptation & Mitigation' to be released in early 2015.

Nestlé Italy is an active member of its local UNGC network's supply chain working group, which seeks to define clear KPIs with strict requirements for selecting suppliers. The group has been testing a platform for supplier requirements, to be launched in 2015.

Nestlé SA is a board and programme committee member of the Swiss network and actively involved in the re-launch of the network in partnership with the Swiss Development Agency.





# Nutrition

Nestlé has been providing safe and quality nutrition for nearly 150 years and we seek to provide consumers with the best-tasting, most nutritious choices of food and beverages, at every stage of life. As the population grows and healthcare challenges increase, the intrinsic value of our nutrition agenda will continue to expand. That's why Nutrition, Health and Wellness are at the heart of Creating Shared Value.

## The year in brief

### 2014 highlights

**98%**

of our children's products met all the Nestlé Nutritional Foundation criteria for children in 2014

**95%**

of our children's and teenagers' breakfast cereal servings have more whole grains than any other ingredient

**7.6 million children  
in 73 countries**

reached by our Healthy Kids Global Programme in 2014

**43 countries**

in which our practices for responsible marketing of breast-milk substitutes were audited

### Challenges

#### Optimal health

Scientists have shown that all humans have a growth curve of optimal health. Our challenge is to help consumers remain as close as possible to optimal health throughout their lives.

#### Product reformulation

Our Nutritional Profiling System must reflect changing public health priorities around the world, without affecting the enjoyment and safety of our food and beverages.

#### Healthier foods

Whole grains and vegetables are vital for a healthy diet, but many people do not consume enough.

#### Responsible marketing of breast-milk substitutes

Nestlé is dedicated to the responsible marketing of breast-milk substitutes, particularly in higher-risk countries. Our greatest challenge is generating trust between us and governments, public health authorities and NGOs.

### What we are doing

#### Improving our food and beverages

We are working with scientists to review the strength and breadth of our Nestlé Nutritional Foundation criteria, assessing all children's products against international public health recommendations, particularly those related to salt, sugar, trans and saturated fats.

#### Encouraging healthier lives

Our innovation programmes are converting all of our children's or teenagers' breakfast cereals to have more whole grain by the end of 2015.

#### Adhering to our policies

We comply with the WHO Code as implemented by national governments as well as the Nestlé Policy and Instructions for Implementation of the WHO Code.

## In this chapter

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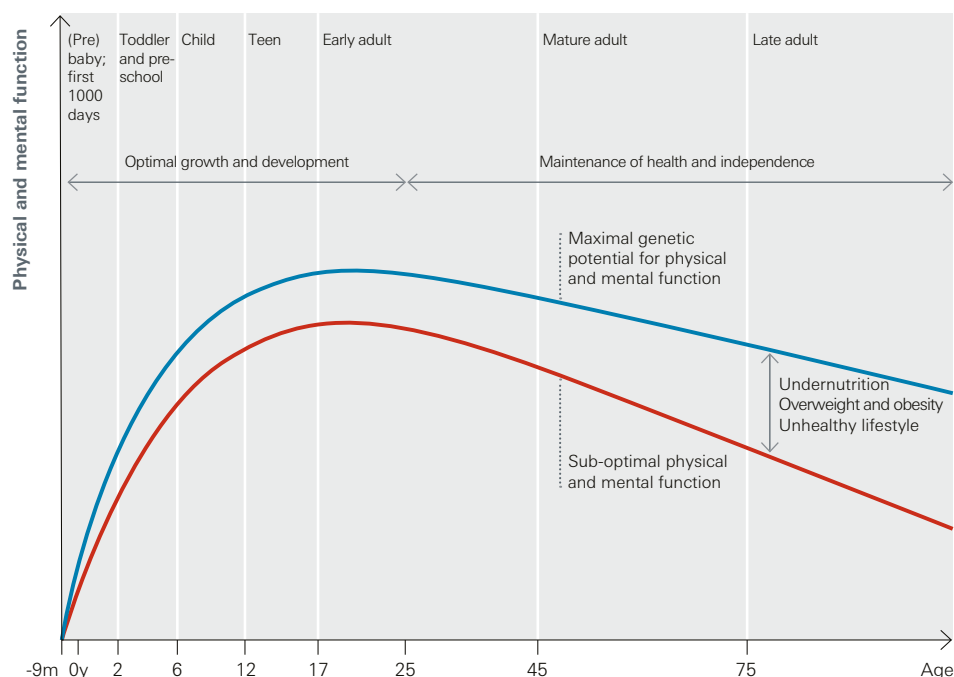
# Our role in nutrition

Good nutrition is vital for everyone's health and well-being. Our goal is to help our consumers reach and maintain optimal nutrition and health throughout their lives and to achieve this, we are learning more about the contribution our foods and beverages can make at every life stage. It begins with the information we provide to mothers and caregivers about the crucial first 1 000 days of a child's life, which promotes breastfeeding as the best start a child can have. We also review our work in improving our food and beverages to enhance their nutritional value, either by reducing or adding nutrients, and increasing the benefits of many popularly positioned products with micronutrients such as iron, vitamin A, iodine and zinc. We understand that there is no single approach to improving nutrition for all. This chapter is an overview of our efforts to create shared value in the field of nutrition, through the development of products and services, and access to knowledge that will help promote healthier choices.

## Maintaining optimal health

To help us achieve our aim, we adopted a conceptual framework of healthy ageing, first described by Kalache and Kickbusch (1997)<sup>1</sup> and outlined in the graph below. The healthy ageing concept is based on the assumption that everyone has a maximal potential for physical and mental function, shown by the blue line on the graph below, with the peak being achieved in early adulthood. This peak is followed by a subsequent decline, the speed of which is individual. Factors that can accelerate the decline are forms of malnutrition (in the forms of undernutrition, overweight or obesity, as defined by the World Health Organization (WHO)<sup>2</sup>), environmental conditions and unhealthy lifestyles. Following a lower trajectory makes us more susceptible to poor health and eventually to a loss of independence at an earlier age. Today, with nearly half the world's population affected by either undernutrition, overweight or obesity, obtaining and maintaining an optimal health trajectory is a serious global challenge. Through our work, we seek to help keep consumers close to their maximal potential for physical and mental function through nutrition.

We will provide an overview of our research and development activities, as well as discussion and examples of how we apply our approach to promotion of optimal health through the creation of products that support healthier lifestyles. The chapter also includes a review of our education activities, and a presentation of how we strive to apply the highest standards in the area of responsible marketing of breast-milk substitutes and marketing to children.



<sup>1</sup> Kalache A, Kickbusch I. A global strategy for healthy ageing. *World Health*, 1997.

<sup>2</sup> Retrieved from the WHO on 13 February 2015 at <http://www.who.int/mediacentre/factsheets/fs311/en/>

## Product and service labeling G4-DMA, Marketing communications G4-DMA, Compliance G4-DMA (Product responsibility)

## Material issues

A leading understanding of the material issues surrounding nutrition at every stage of life is critical to our business strategy. In 2014, we engaged SustainAbility, Working together with Accenture for a commercial point of view, to quantify and rank our material issues. They were mapped with regard to the degree of importance Nestlé's stakeholders place on the issue in different parts of the value chain, and to where financial, operational and reputational impacts would be felt in the value chain.

Each issue is made up of a number of sub-issues, which helped define the scope of the analysis. [Read more here.](#)



















In 2014, four material issues – and a number of specific sub-issues – falling under the banner of Nutrition were rated as being of concern to our stakeholders and of strategic importance to our business.

These include findings associated with **over- and undernutrition; maternal, infant and young child nutrition; responsible marketing; and food and nutrition security.** The success of our products and services is fundamentally linked to the nutrition they provide and our responsible marketing, including the marketing standards we set and our support for nutrition and environmental literacy associated with our products.

Our stakeholders are acutely concerned that we deliver the nutrition solutions needed to help resolve chronic food-related disease and health issues, and expect we apply the highest standards in the marketing of our products and educating on food and nutrition. As one of the world's largest food companies our stakeholders expect us to play a role in food and nutrition security.

MATERIALITY ISSUE	VALUE CHAIN				
	Agriculture	Tier 1 Suppliers	Nestlé	Retail/ Business Channels	Consumers
<b>Overnutrition and undernutrition</b>					
Supporting optimal nutrition, health and wellness through the life course. Helping to address overnutrition, undernutrition, related micronutrient deficiencies, conditions such as overweight and obesity, and non-communicable or non-contagious diseases (NCDs) through portfolio transformation, product and service development and renovation, and popularly positioned products.	Major	Moderate	Major	Major	Major
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li><b>Micronutrient deficiencies:</b> Reducing the risk and incidence of the condition that results from eating a diet in which certain nutrients are lacking, in excess (too high in intake) or in the wrong proportions.</li> <li><b>NCDs:</b> Reducing the risk and incidence of non-communicable, chronic diseases – including cardiovascular diseases, diabetes, cancer and chronic respiratory diseases.</li> <li><b>Obesity:</b> Reducing the risk and incidence of the condition of abnormal or excessive fat accumulation that impairs health with a body mass index greater than or equal to 30.</li> <li><b>Overweight:</b> Reducing the risk and incidence of the condition of abnormal or excessive fat accumulation that impairs health with a body mass index of 25–30.</li> <li><b>Stunting:</b> Reducing the risk and incidence of the condition of having inadequate nutrition that prevents children from growing or developing properly, including physically and mentally.</li> <li><b>Underweight:</b> Reducing the risk and incidence of the condition of weighing less than is considered healthy for one's age, height and build.</li> </ul>					
<b>Food and nutrition security</b>					
Contributing to the availability of and affordable access to sufficient, safe, nutritious food.	Major	Significant	Major	Significant	Major

## Healthy and affordable food G4-DMA, Marketing communications G4-DMA, Compliance G4-DMA (Product responsibility)

MATERIALITY ISSUE	VALUE CHAIN				
	KEY:  Moderate  Significant  Major				
	 Agriculture	 Tier 1 Suppliers	 Nestlé	 Retail/ Business Channels	 Consumers
<b>Maternal, infant and young children nutrition</b>					
Improving the nutrition of mothers, infants, and children for better health and wellbeing outcomes.					
<b>Responsible marketing</b>					
Marketing in ways that are appropriate to consumer audiences and shaping consumer behaviour to promote better health and environmental outcomes.					
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Environmental literacy and communication:</b> Informing, educating and engaging consumers on the environmental impact of products.</li> <li>• <b>Infant formula marketing:</b> Promoting and selling infant food products in a responsible way, particularly to vulnerable groups.</li> <li>• <b>Nutritional literacy and communication:</b> Informing, educating and engaging consumers to make the healthiest choices possible.</li> <li>• <b>Product labelling:</b> Disclosing nutritional and other relevant product information (e.g. GMOs) through product labels.</li> <li>• <b>Responsible marketing to children:</b> Engaging consumers and promoting products in a responsible way, particularly to children.</li> </ul>					

## Our commitments

We shared a number of public commitments in 2012, and continue to publish our progress against them. They reflect the material issues of our business and help to shape our strategy for continuous improvement. This year, we have a new commitment on responsible marketing communication to children and moved commitments related to responsible marketing of breast-milk substitutes to the Nutrition chapter, in response to stakeholder feedback.

### The 15 commitments are:

- [Build knowledge leadership in children's nutrition;](#)
- [Lead the industry in nutrition and health research through collaborations;](#)
- [Provide nutritionally sound products designed for children;](#)
- [Help reduce the risk of undernutrition through micronutrient fortification;](#)
- [Reduce sodium \(salt\) in our products;](#)
- [Reduce sugars in our products;](#)
- [Reduce saturated fats and remove trans fats in our products;<sup>3</sup>](#)
- [Encourage consumption of whole grains and vegetables;](#)
- [Deliver nutrition information and advice on all our labels;](#)
- [Provide portion guidance for consumers;](#)
- [Promote healthy diets and lifestyle, including physical activity;](#)
- [Promote healthy hydration as part of a healthy lifestyle;](#)
- [Provide education programmes for good nutrition and feeding practices;](#)
- [Ensure responsible marketing communication to children;](#) and
- [Market breast-milk substitutes responsibly.](#)

3 This commitment refers to trans fatty acids (TFAs) originating from partially hydrogenated oils in our products.

## Governance and management systems

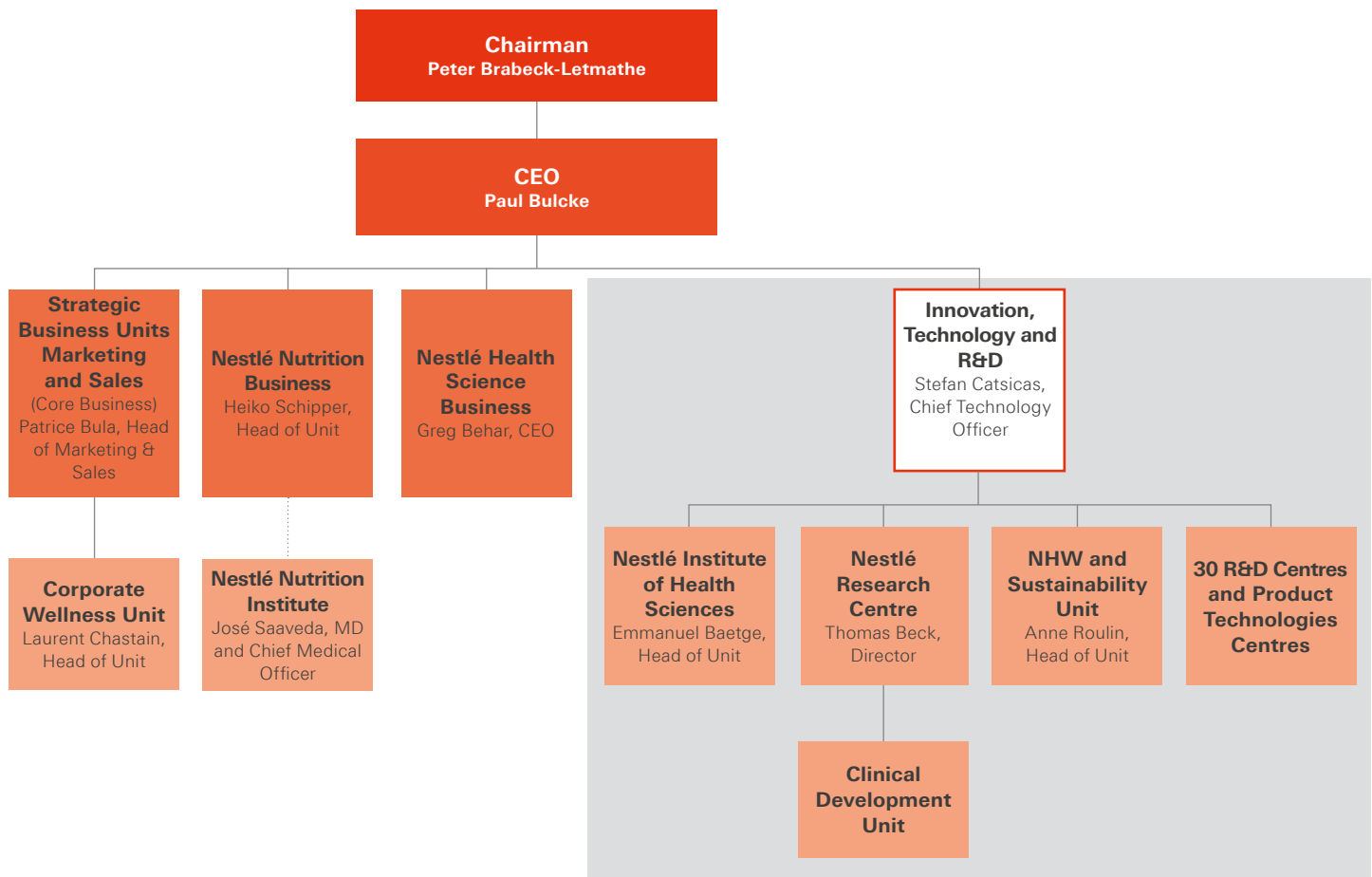
We believe that the health of populations, economies and business performance are mutually reinforcing and as such, nutrition forms an integral part of our business strategy. We have a robust governance structure in place to monitor, measure and manage our nutrition performance.

We manage the many aspects of nutrition through several key bodies:

- The **Corporate Wellness Unit** is responsible for driving Nutrition, Health and Wellness across the whole of Nestlé – covering the entire portfolio of our foods and beverages. Our global network of Wellness Champions, located in each business unit and country, facilitates, inspires, motivates and drives wellness initiatives. The Corporate Wellness Unit's role is to help Nestlé to be the leader in nutrition, health and wellness.
- **Nestlé Nutrition** is a stand-alone business within the Nestlé Group that develops science-based product solutions and education services, addressing specific nutritional needs for specific life stages, such as pregnancy, infancy and early childhood. It seeks to help children to develop their full potential and live healthier lives by providing high-quality, innovative, science-proven nutrition for mothers and infants in the first 1 000 days of life.

- **Nestlé Health Science** is a wholly owned subsidiary of Nestlé. Its mission is to use the knowledge generated by the [Nestlé Institute of Health Sciences](#) and other research and development facilities, to pursue innovative nutritional solutions for people with specific dietary needs relating to illnesses, disease, or the special challenges of different life stages.
- The **Nestlé Nutrition Institute** is the largest private publisher of nutritional information in the world. It is active in nearly 195 countries and more than 243 000 healthcare professionals are registered members of its educational website. The Institute engages with healthcare professionals, scientists and nutrition communities to share leading, science-based nutritional education, resources and research. As well as having published more than 3 000 papers, the Institute offers a selection of more than 700 online conferences, and organises scientific workshops and satellite symposia with leading nutrition experts on key topics including maternal and infant nutrition, geriatrics, obesity management and addressing the problems of malnutrition.

## Internal nutrition organisation at Nestlé



## Our policies and standards

Our people are focused on achieving the first aim of Nestlé's Corporate Business Principles, namely "to enhance the quality of consumers' lives every day, everywhere, by offering tastier and healthier food and beverage choices and encouraging a healthy lifestyle". Our policy and principles documents are made available to everyone through the company website, and are regularly revised in line with international or national regulations and guidelines on the reduction of public health sensitive nutrients, as well as the WHO International Code of Marketing of Breast-milk Substitutes. They are:

[Nestlé Policy on Sugars](#);  
[Nestlé Policy on Sodium \(Salt\)](#);  
[Nestlé Policy on Saturated Fat](#);  
[Nestlé Policy on Trans Fat](#);  
[Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes](#); and  
[Nestlé Marketing Communication to Children Policy](#).

Compliance with our Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes (Nestlé Policy) is audited through internal corporate audits, external audits carried out by Bureau Veritas, and through FTSE4Good's independent verification process of their marketing criteria. We have set in place a [Corporate WHO Code Compliance Committee](#) system which is composed of, amongst others, three Executive Board members at the global level. This committee structure is also in place in all higher-risk markets. These committees advise and oversee observance with the Nestlé Policy and the FTSE4Good BMS criteria, as well as assist in the management of significant compliance issues.

## Sharing our progress

Our nutrition performance is independently audited and verified annually. We participate voluntarily in a number of third party reporting initiatives, where the results and feedback are made public.

Organisation	2014 progress
<a href="#">FTSE4Good Index</a>	Since 2011, Nestlé has remained the first, and so far the only, breast-milk substitute manufacturer to be included in the FTSE4Good Index, making Nestlé the only company to restrict the marketing of infant formula and follow-on formula up to 12 months of age in 152 higher-risk countries.
<a href="#">Access to Nutrition Index (ATNI)</a>	In March 2013, Nestlé was ranked one of the top three global food and beverage manufacturers in the 2013 ATNI, which benchmarks the world's largest manufacturers on their nutrition-related commitments, practices and performance globally. Nestlé's governance and management systems and well-structured approach to engagement were ranked first in our sector.
<a href="#">Dow Jones Sustainability Index (DJSI)</a>	The DJSI, which evaluates the sustainability performance of the largest 2 500 companies listed on the Dow Jones Global Stock Market Index, scored Nestlé with 90/100 for Health and Nutrition Performance (the industry average is 44/100) and scored the company as 88/90 overall.



## Multi-stakeholder activities

Addressing nutrition and health challenges is complex and requires collaboration by many stakeholders. We believe that [participating in industry collective efforts](#) can help to raise standards, making an industry more efficient and successful. At our [2014 Stakeholder convenings](#), we were asked to leverage our structure and “use advocacy and convening power with governments and with industry peers to promote better health and nutrition”.

Our people continue to maintain a strong presence in high-profile nutrition initiatives, advocating for scientific, evidence-based policies that can help address global nutrition and health issues. To provide transparency, we have shared our key activities for 2014 below:

Organisation	Our activities this year
<a href="#">EU Platform for Action on Diet, Physical Activity and Health</a>	<p>Nestlé has ‘contributed’ two new commitments to the <a href="#">EU Platform for Action on Diet, Physical Activity and Health</a>, for:</p> <ul style="list-style-type: none"> <li>• Portion guidance on all children’s and family products by 2015; and</li> <li>• More whole grain than any other ingredient in any serving of children’s or teenagers’ breakfast cereals.</li> </ul>
<a href="#">International Food and Beverage Alliance (IFBA)</a>	<p>In a September 2014 letter to World Health Organization (WHO) Director-General Dr Margaret Chan, CEOs of leading food and non-alcoholic beverage companies and members of <a href="#">IFBA</a> (including Nestlé) announced a set of enhanced global commitments that will guide their health and wellness strategies over the next five years:</p> <ul style="list-style-type: none"> <li>• <a href="#">Reformulate products and develop new products that support the goals of improving diets</a>;</li> <li>• <a href="#">Provide clear and fact-based nutrition information to all consumers</a>;</li> <li>• <a href="#">Extend responsible advertising initiatives and marketing to children globally</a>;</li> <li>• <a href="#">Raise awareness on balanced diets and increased levels of physical activity</a>.</li> </ul> <p>As a member of <a href="#">IFBA</a>, we comply with its Global Policy on Advertising and Marketing Communications to Children. We have also signed voluntary pledges on the marketing of foods to children covering over 50 countries. For more information on this, please see the IFBA section.</p>
<a href="#">The Consumer Goods Forum (CGF)</a>	<p>The <a href="#">Consumer Goods Forum</a> brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers and other stakeholders across 70 countries.</p> <p>In June 2014, the Board of Directors (which includes Nestlé CEO Paul Bulcke as the manufacturers’ co-chair) issued a set of Health and Wellness commitments:</p> <ul style="list-style-type: none"> <li>• By 2016: Make company policies public on nutrition and product formulation;</li> <li>• Implement employee health and wellness programmes;</li> <li>• By 2018: Industry-wide implementation of consistent product labelling and consumer information to help consumers make informed choices and usages; and</li> <li>• By 2018: Stop targeted advertising to children under 12 for products that do not fulfil specific nutrition criteria based on scientific evidence and/or applicable national and international dietary guidelines.</li> </ul> <p>The CGF also reaffirmed its commitment to the implementation of its Health and Wellness and Climate Change Resolutions, asking members for increased alignment and engagement for the forum’s ambitious five-year plan.</p>
<b>Salt-Smart Americas initiative</b>	<p>Nestlé’s support for the Salt-Smart Americas initiative started in 2012 with the common objective to help people decrease their dietary salt intake to a maximum of 5g a day by 2020. Within the initiative, Nestlé contributes its expertise to help create an effective salt reduction approach combining aggressive targets and a relevant consumer awareness strategy.</p> <p>As a signatory of the PAHO and World Economic Forum 2011 statement on Dietary Sodium/ Salt Reduction in the Americas, Nestlé supports the good work on salt reduction led by the Salt Smart Consortium.</p>

Organisation	Our activities this year
<a href="#"><u>III World Congress of Public Health Nutrition (WCPHN)</u></a>	<p>The third World Congress of Public Health Nutrition, held in Las Palmas, Gran Canaria, on 9–12 November 2014, covered a broad range of public health nutrition topics, including four studies presented by Nestlé scientists. The studies presented were:</p> <ul style="list-style-type: none"> <li>• <b>Dietary Impact: Results of FITS in the USA and MING in China</b> – the different dietary patterns of young children in the USA and China: the Feeding Infants and Toddlers Study (FITS) conducted in the USA in 2008 and the Maternal and Infant Nutrition and Growth (MING) study conducted in China in 2012. MING – the first large-scale study of its kind in China – evaluated the nutrient intake of infants and toddlers from eight cities across the country and investigated more about the dietary status of young children in China.</li> <li>• <b>Kids Nutrition and Health Survey (KNHS): Lunch</b> – analysed data from the National Health and Nutrition Examination Survey 2007–2010 to identify the foods consumed by children and adolescents in the USA at lunch and to what extent these meals contributed to their energy and nutrition intake.</li> <li>• <b>Kids Nutrition and Health Survey (KNHS): Fat, Sodium, Sugars, Calcium, Vitamin D</b> – two surveys analysed data from the National Health and Nutrition Examination Survey 2007–2010 to identify food sources of solid fat, sodium, added sugars, calcium, vitamin D, potassium and dietary fibre in US children (2–8 years) and adolescents (9–18 years).</li> </ul>
<a href="#"><u>World Economic Forum (WEF)</u></a>	<p>Nestlé Chairman, Peter Brabeck-Letmathe, is the Vice-Chairman and a member of the WEF Foundation Board, and our CEO, Paul Bulcke, is a member of the Steering Board of the WEF's Future of Healthy Living Initiative, which aims to bring together governments, the private sector and civil society to have an impact on healthy living and non-communicable diseases.</p>

# Supporting healthy nutrition from infancy

The very start of our lives, specifically the first 1 000 days, is a unique period that is crucial to achieving our optimal potential. Good nutrition supports healthy growth and development. A healthy balanced diet and lifestyle before and during pregnancy helps functional development of the brain. It helps immune systems to develop more robustly, and can decrease a child's likelihood of being overweight or obese later in life. In the same way, poor nutrition and/or a lack of active lifestyle, at any life stage, gradually erodes our health. Nestlé seeks to help consumers stay on, or as near as possible to, an optimal health trajectory. As a manufacturer of nutritious foods and beverages for mothers, caregivers, children and babies, we place significant focus on contributing to better health in the first 1 000 days of life.

We are committed to providing consumers with science-based nutritional solutions and services they need to care for themselves, and their families. A mother's health and nutrition impacts the health of her child. Maternal obesity, for example, is linked with increased maternal morbidity, preterm birth, macrosomia (babies weighing over 4kg at birth) and higher infant mortality. Simple lifestyle adjustments and healthy nutritional choices during pregnancy can help to prevent high birth weight in new-borns. Our [Start Healthy Stay Healthy](#) campaign promotes science-based medical advice on how to make the first 1 000 days healthier.

After a child is born, we support and promote the World Health Organization's (WHO) recommendation of exclusive breastfeeding during the first six months of life, followed by the introduction of nutritious foods that complement sustained breastfeeding for up to two years. We manufacture high-quality breast-milk substitutes for use when a safe alternative to breast-milk is needed. Infant formula is the only suitable breast-milk substitute recognised by the WHO.

Infants and children who experience undernutrition in their early years can struggle in school, as poor nutrition can reduce IQ (intelligence quotient) by 5–25 points, while the increased risk of non-communicable diseases such as diabetes can affect their productivity as working adults. Such impacts can reduce lifetime earnings by more than 10% and, in some countries, has resulted in a 2%–3% reduction in GDP<sup>4</sup>.

## Researching children's nutrition

### Our commitment



**Build knowledge leadership in children's nutrition**

The right nutrition and feeding practices in early childhood, such as a balanced diet, based on a wide variety of foods with restricted additions of salt and sugar, also supports the establishment of healthy eating habits. We are thus committed to developing a deep understanding of the factors that determine children's dietary intake, lifestyle and health status. The results of our studies inform our product formulation, consumer communication and educational programmes. We support research for two age groups, the Feeding Infants and Toddlers Study (FITS) for children aged 0–4 and the Kids Nutrition and Health Study (KNHS) for children aged 4–13. They explore the determinants of food and nutrient intakes and lifestyle patterns of children, and how they relate to growth. Another key study conducted by Nestlé is the Maternal Infant and Nutrition Growth (MING) study in China, which has determined that a significant number of infants are at risk of inadequate levels of iron, selenium and folic acid.

Key findings from the FITS and KNHS presented in 2014 include:

- In Mexico, FITS have shown that many infants are at risk of iron deficiency and very few consume iron-rich foods;
- According to the KNHS conducted, in the USA, by two years of age, snacks comprise 25% of total calories in a child's diet; young children consume more calories from snacks eaten away from home than from those eaten at home;
- In the USA, 76% of children between two to four years old consume more saturated fat than recommended, while older children and adolescents get about 11% of their daily calories from saturated fats; and
- In the USA, almost 20% of children and adolescents skip lunch on any given day.

### Our objective

**By 2016** – Launch large-scale research projects in at least 10 countries across the globe, including the USA, Mexico, China and Russia, to expand understanding of children's nutrition and inform our own product and service development<sup>5</sup>.

<sup>4</sup> World Bank, 2010.

<sup>5</sup> Russia has replaced France as one of the countries in the objective.

Our new objective, to carry out studies in at least 10 countries to understand children's nutrient intakes, dietary patterns and related lifestyle factors, is based on the success of the FITS, which has previously been conducted twice in the USA and in five other countries at varying scales. We are conducting a third round of field research in the USA and currently analysing data in China and Mexico. At the same time, the KNHS is underway in the USA, Mexico and China. We are engaging with stakeholders in other countries to set up additional studies, to understand diet and lifestyle of infants, toddlers and children up to age 12.

The FITS and KNHS results are shared through both scientific conferences and publications. In the past year, results were presented at several international scientific meetings, including [Experimental Biology](#) (US), the [International Congress on Obesity](#) (Malaysia) and the [World Congress of Public Health Nutrition](#) (Spain), as well as at local scientific meetings ([Mexican Congress of Paediatrics](#)).



### Micronutrient-fortified milk in the Philippines

In 2014, the Health Economics Team of the Public Health Department of the [Nestlé Research Center](#) (in collaboration with the [Philippines Food and Nutrition Research Institute](#) (FNRI)) and the [Winterthur Institute of Health Economics](#) estimated the costs for society which arise from vitamin A deficiency, zinc deficiency and iron deficiency anaemia for children aged six months to five years. The study revealed that lifetime costs of these deficiencies in preschool children are considerable, with the economic burden comprised of:

- CHF 29.7 million in medical costs (direct costs), dominated by diseases related to zinc deficiency;
- CHF 611.82 million production losses (indirect costs), which are largely lost future income (90%): 62% related to iron deficiency anaemia at age 6–23 months (impaired development) and 28% related to zinc deficiency at age 24–59 months (stunting); and
- Intangible costs of 122 138 disability-adjusted life years (DALYs), dominated by premature deaths (47%) largely linked to vitamin A deficiency and lost healthy years of life (43%) primarily linked to iron deficiency anaemia in early life (aged 6–23 months).

This economic burden in the poorest third of the households is five times higher than in the wealthiest third. This burden of disease could be reduced by increased consumption of fortified milk products. Work is ongoing to determine whether market-driven initiatives could improve this public health situation in a cost-effective way.

## Nutritious products for children

### Our commitment



**Provide nutritionally sound products designed for children**

We seek to help improve our food offerings for children by assessing all of our products<sup>6</sup> against the Nestlé Nutritional Foundation (NF) criteria. These criteria are based on nutrition science and public health recommendations for dietary intake, issued by authorities such as the WHO, the US Institute of Medicine and other independent bodies.

The nutritional criteria cover factors such as sugar, fat, salt and calorie content, and levels of protein, calcium and fibre. If a food or beverage product meets all the criteria of the Nestlé Nutritional Profiling System, it attains NF status<sup>7</sup> – meaning we consider it an appropriate choice for consumers as part of a balanced diet.

### Our objectives

**By 2014** – 100% of our children's products<sup>7</sup> meet Nestlé Nutritional Foundation criteria<sup>8</sup> for children, based on nutrition science and dietary recommendations, such as those published by the World Health Organization and the Institute of Medicine.

**By 2015** – Maintain at 100% our children's products that meet all Nestlé Nutritional Foundation criteria for children.

Each of our food and beverage products is made for specific target consumer groups and their classification informs how we allocate resources. We have prioritised our children's products for reformulation – i.e. products where 50% or more of the consumers are below 12 years of age, or that have been designed (or perceived as being designed) for this age group. By the end of 2014, 98% (2013: 96%) of our children's food and beverages, which includes Popularly Positioned Products (PPPs), met the NF status, including the criteria for sodium (salt), saturated fats and sugar<sup>9</sup>.

6 Products where 50% or more of consumers are up to 12 years old.

7 Products for which 50% or more of consumers are below 12 years old, or are designed for or perceived as being designed for this age group.

8 The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation status.

9 We have identified all products in the outstanding 2%, which are at different stages of the approval and/or registration process at market level before the product can be launched.

From January 2015, all of our children's products will be manufactured to meet NF criteria<sup>10</sup> and monitored on an ongoing basis.

#### Products meeting the Nestlé Nutritional Foundation status i.e. all criteria

	2012	2013	2014
Children's food and beverage products	89%	96%	98%

#### Lactose-free toddler milk developed by Nestlé Mexico

One in every 20 Mexican children under the age of four years is lactose intolerant. As part of a CHF 7.37 million nutrition research programme, Nestlé Mexico has developed [Nido Kinder Deslactosado](#). It is Nestlé's first milk product for lactose-intolerant children between one and three years old. This new product has the potential to improve the lives of lactose-intolerant children and their families around the world.

## Promoting healthy lifestyles for children

#### Our commitment



**Promote healthy diets and lifestyles, including physical activity**

We have always believed that over the long term, healthy populations, healthy economies and healthy business performance are mutually reinforcing. We seek to promote healthy eating and active lifestyles to help children to achieve and maintain a healthy body weight into adulthood, and the Nestlé Healthy Kids Global Programme forms an integral part of our commitment to help children to develop positive habits that will last a lifetime.

Despite being a global programme, content is developed with local experts and tailored to local health and nutritional needs. In 2014, there were 77 Healthy Kids Programmes taking place around the world, with 294 partners, including NGOs, nutrition institutes, national sport federations and local governments. A majority of these programmes are endorsed by either Ministries of Health, Education or Sports.

<sup>10</sup> The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation status.

#### United for Healthier Kids

Nestlé has launched United for Healthier Kids (U4HK), to make an increased contribution to the health and wellness of all children, from conception to 12 years. U4HK seeks to draw together various sectors of society to work with parents and increase awareness about the prevalence of child malnutrition, as well as promote proper diets for children. In Mexico, a TV series was launched in 2014 that follows five families looking to change their eating and lifestyle habits over the course of six months. And in the Philippines, the U4HK campaign focuses on awareness raising around under-nutrition and stunting in children aged four to 12.

#### Our objective

**By 2015** – Nestlé Healthy Kids Global Programme will be ongoing in 80 countries, with the activation of the [International Association of Athletics Federations \(IAAF\)](#) Kids Athletics programme to improve the nutrition, health and wellness of children around the world.

At the end of 2014, Nestlé was actively working with 294 partners across 73 countries to deliver our Healthy Kids Global Programme (2013: 68 countries). Sixty-seven out of a total of 77 Healthy Kids Programmes contain a physical activity component, for which our main partner is the [IAAF](#). Our activities reached 7.6 million children in 2014 (2013: 6.9 million). The total spend on the Nestlé Healthy Kids (NHK) Programme in 2014 was approximately CHF 14 million.

#### Healthy Kids Programme

	2011	2012	2013	2014
Countries participating	50	64	68	73

A number of markets are developing nutrition education resources for teachers. For instance, in Australia, the [platform](#) provides free online nutrition education teaching resources for educators, as well as interactive components to lessons. All units align with the [Australian Health and Physical Education \(PE\) curriculum](#). Developed in partnership with the [Australian Institute of Sport](#), the Healthy Active Kids platform encompasses free teaching units and lesson plans for teachers, as well as other resources such as educational games and videos, healthy recipes and a special Kids Corner.

A recent study carried out by Zurich's [ETH University](#) and [Nestlé Research Center](#), and published in *Public Health Nutrition*, showed that serving school-age children a greater variety of vegetables increased the amount they chose to eat. Recently, we published a guide for children and their parents with helpful tips on how to grow their own vegetables as part of our global Healthy Kids Programme.



## Healthy and affordable food G4-DMA

Measuring the effectiveness of our Healthy Kids Programmes is a key priority. At the country level, NHK programme evaluations are usually undertaken by external, independent bodies, such as universities, scientific institutions and/or national authorities, supporting programmes in their results-based development plans and through building credibility among stakeholders. For example, in Lebanon, the process is carried out by the American University of Beirut. In Ghana, NHK is conducted in partnership with the Ministry of Education, with the University of Ghana as the scientific partner. In its first impact assessment in 2014, results showed effectiveness in improving the overall nutrition knowledge and behaviour of participating children. In Chile, an independent study conducted by Universidad Mayor on 2 400 students who had participated in NHK programmes showed that

all questions related to healthy eating saw an increase in correct answers.

Continued success for the programme depends on quality partnerships and education systems providing nutrition education and physical activity in schools. Together with our partners, we continue to advocate for a whole-school approach, involving the curriculum, teaching, campus management and school culture<sup>11</sup>, where nutrition and health are considered to be an important part of children's development.

**EPODE** is the world's largest obesity prevention network and Nestlé has supported the work of the organisation since 1992. Today, we support the EPODE International Network (EIN) to disseminate the EPODE model globally. Our partnership involves economic support, strategic planning and implementation.

## Healthy Kids Global Programme map

73

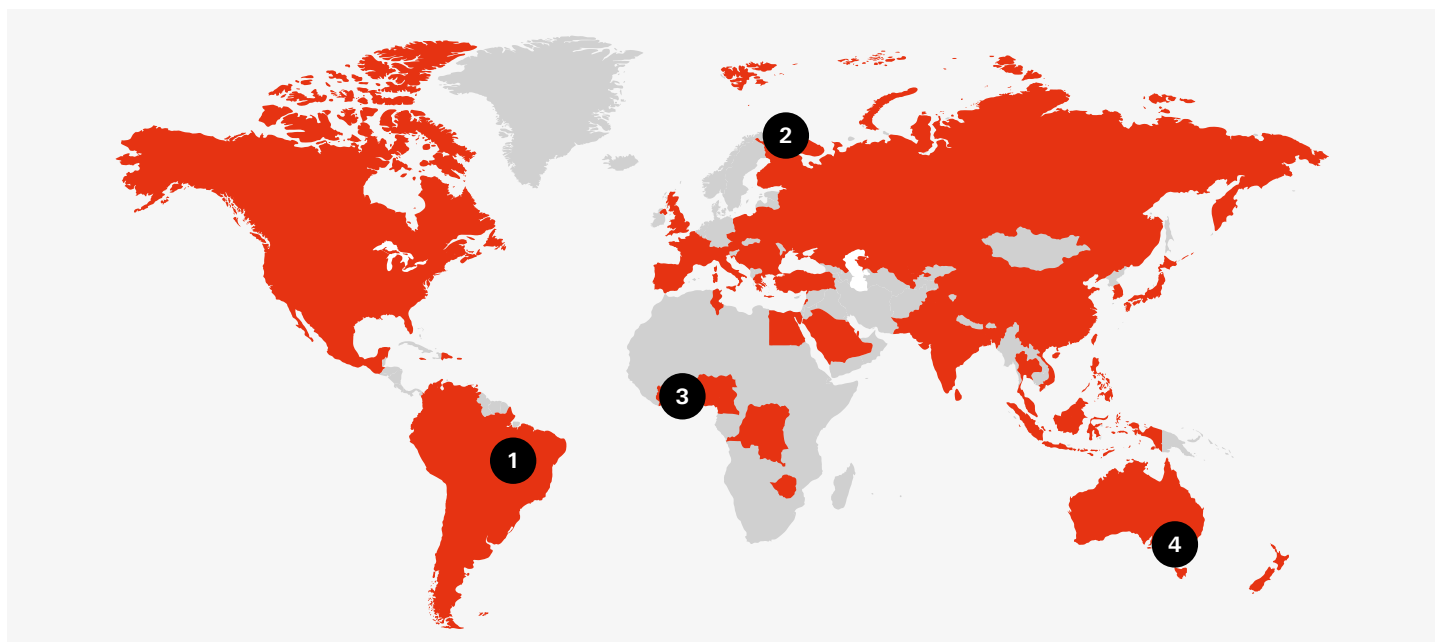
The Healthy Kids Global Programme is active in 73 countries operating 77 local programmes

294

Partnerships with governments and NGOs

7.6m

In 2014, the Healthy Kids Global Programme reached almost 7.6 million school age children



## 1 Brazil



Operating for over 15 years, more than 2 million children have been reached by Nestlé Healthy Kids Brazil in partnership with the Boards of Education and local NGOs.

## 2 Finland



Nestlé Healthy Kids in Finland aims to increase physical activity and improve dietary pattern among children and teenagers. Over 2 000 primary and secondary school students participate in sports activities and nutrition lessons.

## 3 Côte d'Ivoire



The Nestlé Healthy Kids Programme in Côte d'Ivoire was launched in 2014 in collaboration with the country's Ministries of Health and Education, in support of the national strategy, "School: An Ally of Nutrition".

## 4 Australia



In April 2014, Athletics Australia launched the IAAF Nestlé Healthy Active Kids Athletics to boost participation among young people. The pilot will be offered to Australian children through the national after-school care scheme.

<sup>11</sup> Retrieved from UNESCO website on 14 January 2015, from [http://en.unesco.org/aspnet/globalcitizens/glossary#term\\_783](http://en.unesco.org/aspnet/globalcitizens/glossary#term_783)

# Supporting nutrition and health

**Nestlé invests continuously in the innovation and renovation of our large portfolio of food and beverage products. We seek to enhance taste and nutritional value, helping consumers to maintain or achieve their maximal potential for physical and mental function. For all consumers, our aim is to assist with healthy ageing, from childhood through to adulthood. While recognising that ageing brings physical change, conditioned by social and environmental factors, we want to help consumers keep on or as close as possible to optimal nutrition and health through early, mature and late adult stages.**

The prevalence of non-communicable diseases such as obesity or cardiovascular diseases continues to increase at an alarming rate. At the same time, evidence continues to show that excessive intake of certain nutrients such as sugar, saturated fat or salt is associated with an increased risk of non-communicable diseases. With micronutrient deficiencies remaining a major public health concern in many parts of the world, we continue our efforts to develop foods and beverages fortified with micronutrients – vitamins and minerals – that can help to tackle undernutrition.

We are producing a growing number of these fortified Popularly Positioned Products (PPPs) – high-quality foods and beverages that provide nutritional value at a price that lower-income consumers, the sector most vulnerable to deficiencies, can afford. These products comprise cooking aids to prepare family meals, dairy products, powdered beverages or cereals for children.

## Using the Nestlé Nutritional Profiling System

We work to create products that can provide real assistance to consumers at all stages of the ageing process. To this end, the Nestlé Nutritional Profiling System (mentioned earlier in the context of foods and beverages for children) is just as important for later growth stages. The criteria established by the system are based on up-to-date nutrition science and public health recommendations, issued by authorities such as the [WHO](#), the [US Institute of Medicine](#) and the [European Food Safety Authority](#), and employ a rigorous methodology that assesses our products against criteria for children's and adults' dietary intakes. Every food or beverage product that achieves the specific criteria is said to attain Nestlé Nutritional Foundation (NF) status and accordingly represents an appropriate choice for consumers in the context of a balanced diet. A food or beverage product can only attain NF status when all of its nutritional factors meet category criteria.

The Nestlé Nutritional Profiling System is dynamic, with criteria reviewed bi-annually. In the June 2014 meeting of the Nutritional Profiling Scientific Board, leading academics reviewed and confirmed the nutritional criteria that are used to determine the threshold values for product formulation for those nutrients sensitive to public health concerns; they also reviewed and confirmed the daily energy distribution across meals and snacks and discussed how to deal with 'indulgent' products like ice cream and confectionery that are occasional treats. For these products, not intended for daily consumption, we have followed the advice of the scientific experts and chosen to apply a strict approach, maintaining NF criteria on a daily basis, which means smaller sizes.

## Formulation and reformulation of our products

In 2014, we assessed 86.1% of our foods and beverages through the Nestlé Nutritional Profiling System. Nestlé's 60/40+ programme is our means of ensuring consumer approval, using a representative consumer panel where at least 60% of the people must prefer the taste of the Nestlé product over a competitor's. The programme is helpful because, while we aim to improve the health benefits of a food or beverage product, altering the taste may mean that consumers add an ingredient back in or stop purchasing it altogether.

Currently, around 14% of our products for adults have not achieved NF status and we remain firmly committed to improving their nutritional profile through reformulation and the 60/40+ programme. To provide full transparency on NF methodology, in 2015 we plan to submit a series of publications, written with external nutrition experts, to leading peer-reviewed scientific journals.

## Reducing salt, sugar and fat in our products

The benefits of reducing sodium, sugar, saturated and trans fats are widely recognised by international and national authorities. However, reducing the levels of these nutrients without impacting the safety, texture, appearance and taste represents a significant technological challenge. We continue to apply research and development resources to this important area. We apply a gradual approach to reduction, helping our consumers to adapt their taste preference, without reaching for extra ingredients or sauces, or moving to an alternative product. It makes our consumers more likely to adopt a healthier diet and ensures a long-term commitment to improved and sustainable nutrition.

## Reducing salt in our products

### Our commitment



### Reduce sodium (salt) in our products

### Our objective

**By 2014** – 100% of children's products<sup>12</sup> meet the Nestlé Nutritional Foundation sodium criteria<sup>13</sup> to help promote a reduction of salt in children's diets.

**By 2016** – We will further reduce salt by 10% in products that do not meet the Nestlé Nutritional Foundation criteria, ensuring gradual salt reduction even in more challenging areas of our product portfolio.

In 2013, we pledged to accelerate salt reduction across all of our savoury food products to help consumers achieve the sodium intake target recommended by the WHO and other international and national authorities.

Most of the sodium in our diet comes from salt added during manufacturing, home cooking or at the table. Besides taste, salt is important for the preservation and texture of many foods, which means that reducing the salt content of certain products poses a technical challenge to quality. Our strategy is to combine reduced salt content with optimised ingredient combinations to promote taste. Where a greater salt reduction is required, we can replace sodium with other minerals to give the perception of a salty taste.

We have assessed our entire product portfolio against the Nestlé Nutritional Foundation sodium criteria, and our overall sodium reduction achievement was 4.7%. We are now looking into potential solutions for those products that do not currently meet the required standards.

We have already relaunched a wide range of reduced-salt products in several countries, including:

Reducing salt		
Product	Country	Reduction
Maggi Juicy Soup range	Austria	14.5–22.5%
Maggi Chicken Noodles	Asia	14%
Maggi Spaghetti Bolognese Fix	Germany	17%
Maggi Juicy Chicken Garlic	Russia	12%
Maggi Juicy Chicken Paprika	Russia	19%
Stouffer's Vegetable Lasagna	USA	19%

<sup>12</sup> Products for which 50% or more of consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

<sup>13</sup> The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation status.

<sup>14</sup> Products for which 50% or more of consumers are below 18 years old and, within this, more teens than children.



### Reducing salt in Tomato Mozzarella Soup

One of the products to have benefited from our reformulation work is [Maggi Tomato Mozzarella Soup](#), sold in Germany, in which we have reduced the salt content by 30%. To overcome the challenge of reducing salt without impacting on taste, we used the expertise of our Development Chefs in the Research and Development and Application Groups, who rebalanced the taste profile by selecting and optimising the best ingredients. We were also able to reduce sugar content by 80% and saturated fat by more than 50%. The new recipe achieved a consumer taste test win of 60/40 (66:34), which means that 66% of people prefer our product over our competitors' alternatives. The product is due to be launched in June 2015.

## Reducing sugars in our products

### Our commitment



### Reduce sugars in our products

### Our objectives

**By 2015** – Reduce the sugar content in any serving of children's<sup>12</sup> or teenagers'<sup>14</sup> breakfast cereal brands to 9g or less per serving, to promote a reduction in sugar in children's diets.

**By 2016** – We will further reduce sugar by 10% in products that do not meet the Nestlé Nutritional Foundation criteria, to ensure continual improvement even in more challenging areas of our product portfolio.

Public health authorities recommend a reduction in the consumption of free sugars<sup>15</sup>, given their association with obesity and non-communicable diseases such as diabetes. Again, for some products, reducing sugar without affecting taste, texture, structure, colour and preservative properties is a challenge. Certain products, such as sweetened condensed milk, must comply with legally set compositional requirements and for these products, we are working at improving nutrition labelling and portion guidance to consumers. By the end of 2014, 98% of our children's products met the Nestlé Nutritional Foundation sugars criteria (2013: 96%).

<sup>15</sup> Free sugars are defined by the WHO as "all monosaccharides and disaccharides added to foods by the manufacturer, cook or consumer, plus sugars present in honey, syrup and fruit juices."

Nestlé (Cereal Partners Worldwide) has been working to reduce sugar content in breakfast cereals, encouraging better nutrition at breakfast time. Reduction of sugars to 9g or less per 30g serving was a significant challenge during CPW’s recipe renovation work in Europe. Sugar is a component of most breakfast cereals, giving sweetness to make grains taste good and contributing to the texture, colour and flavour of the cereal. We have deployed more than 30 new recipes across five factories to ensure we could go live simultaneously and offer the same products to consumers in different locations. The total renovation work will have an impact on more than 85 recipes across the world, representing over a third of CPW total sales.

As well as being tasty and nutritious, breakfast cereals are also a convenient ready-to-eat choice. The cereals that we have today, including all nutrient revisions, have been the result of technical expertise and knowledge developed over many years by teams of expert nutritionists, food scientists and product developers. This most recent recipe refresh has been the result of more than 7 500 hours of intensive development, product testing and research trials to ensure we continue to provide high-quality, great-tasting breakfast cereals. By the end of 2015, every serving of these products<sup>16</sup> will contain 9g or less sugar, as well as 135mg or less salt, provide 15% of the Recommended Daily Allowance for calcium and be made with more whole grain than any other ingredient. As a result, Nestlé breakfast cereals are reducing sugar content by up to 30% in brands such as *Nesquik*, *Chocapic*, *Honey Cheerios*, *Lion* and *Milo*, as well as more than 15 other Nestlé-branded breakfast cereals.

We are continuing to look at ways of reducing the sugar content across our product portfolio, and we have already relaunched a wide range of reduced-sugar products to markets, including:

Reducing sugars		
Product	Country	Reduction
<i>Mio</i> yoghurts	Italy	18% (sugar) 9% (calories)
<i>Pirulo</i> ice lollies	Europe	35% (sugar) 28% (calories)
<i>Belte</i> ice tea	Italy	18% (sugar) 18% (calories)

16 Products for which 50% or more of consumers are below 18 years old and, within this, more teens than children.

17 This commitment refers to TFAs originating from partially hydrogenated oils (PHOs) in our products.

18 Products for which 50% or more of consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

19 The Nestlé Nutritional Foundation criteria are based on nutrition science and public health dietary recommendations, such as those of the World Health Organization (WHO), the Institute of Medicine and other global or local authorities. Our products are evaluated against these criteria, using the Nestlé Nutritional Profiling System, which determines their nutritional value and whether they achieve the Nestlé Nutritional Foundation status.

## Reducing sugars in Nestlé Nesquik powder products

Since 2014, the global range of *Nestlé Nesquik powder* products has undergone a significant sugar reduction of 1 200 tonnes to achieve our Nutrition Foundation status. The main challenge was to reduce the sugar content and maintain a taste preference, which was achieved by replacing sugar with cocoa. The journey continues into 2015, with newly available technical solutions allowing us to make even more substantial sugar reductions.



## Removing trans fat and reducing saturated fat in our products

### Our commitment



**Reduce saturated fats<sup>17</sup> and remove trans fats in our products**

### Our objective

**By 2014** – 100% of children’s products<sup>18</sup> meet the Nestlé Nutritional Foundation saturated fats criteria<sup>19</sup>, helping to promote a reduction in saturated fats in children’s diets.

**By 2016** – We will further reduce saturated fats by 10% in products and we will remove trans fats originating from partially hydrogenated oils (PHOs), to ensure continual improvement even in more challenging areas of our product portfolio.

Dietary fats form part of a healthy balanced diet, but too much of certain types of fat poses a significant risk for non-communicable diseases such as cardiovascular disease. Trans fatty acids (TFAs) occur naturally in foods such as milk and meat products. However, most TFAs in our food supply come from foods containing partially hydrogenated vegetable oils (PHOs). Our objective is to remove all trans fats originating from PHOs.

In 2014, we strengthened our policy to remove trans-fatty acids originating from partially hydrogenated oils from our food and beverage products. Ninety-six per cent of the oils that we use in our food and beverage products now meet the Nestlé Policy on Trans Fats.



For some products, reducing saturated fat without impacting safety, texture, appearance and taste is a challenge. We remain firmly committed to improving the nutritional value of those of our products that do not meet NF criteria for saturated fats, and have deployed comprehensive programmes to achieve this. We have launched a number of reformulated products with reduced saturated fat levels.

Reducing saturated fats		
Product	Country	Reduction
<a href="#">Winiary Bouillon</a>	Poland	13%
<i>Maggi</i> Herb Sauce	Germany	33%
<a href="#">Maggi Onion Soup</a>	France	80%
<a href="#">Uncle Tobys Le Snak</a>	Australia	34%
<i>Milkybar</i> Cream Dessert (to be launched in 2015)	Global	39%

### Removing trans-fat from liquid *Coffee-Mate*

In 2014, our leading Product Technology Centre for [liquid Coffee-Mate](#) reformulated these recipes by challenging long-established beliefs regarding oil stability. Our technical team, in collaboration with our oil supplier, succeeded in replacing the highly stable partially hydrogenated soybean/cottonseed oil with a high oleic soybean oil. This oil crop was grown on a large scale for the first time for this reformulation, and successfully industrialised to match our quality demands. The result in 2014 was a complete replacement of 16 000 tonnes per year of partially hydrogenated oil, with the removal of 6 000 tonnes of trans fat. This was achieved without compromising taste and with consumer acceptance and no increase in saturated fat. In 2015, 26 000 tonnes of oils will be replaced and 10 000 tonnes of pure trans fatty acids removed.



## Addressing malnutrition

### Our commitment



**Help reduce the risk of undernutrition through micronutrient fortification**

Micronutrients are essential for growth and development; however, deficiencies or inadequate dietary intake remain a challenge for an estimated one-third of the global population. The UN and the WHO estimate that over 2 billion people around the world, mostly young children and women of child-bearing age, suffer from deficiencies in micronutrients (i.e. essential vitamins and minerals)<sup>20</sup>.

Nestlé is committed to helping to address micronutrient deficiencies, for example by using information from national and international health authorities to provide fortified, affordable and nutritious foods and beverages in areas with high risk of deficiencies. We will continue to intensify our efforts to extend our reach to vulnerable populations, notably mothers and children. We pursue our scientific research and document the contribution of our products in addressing the burden of micronutrient deficiencies. In doing so, we work in a collaborative manner with governments, non-governmental organisations (NGOs) and other relevant partners to further improve consumers' nutrition and health.

### Access to affordable, nutritious products

In 2012, Nestlé made a global commitment to help reduce the risk of under-nutrition through micronutrient fortification by delivering 200 billion servings worldwide by 2016.

We track the number of total servings fortified over 55 key countries identified for significant deficiencies, across the foods and beverages that are nutritionally relevant and credible "carriers" for fortification, while we estimate the number for the rest of the world. In 2014, Nestlé delivered 183 billion servings worldwide, and is on track to reach our 2016 target.

While fortification is important, so is access to the fortified foods and beverages: in 2014, 81% of the sales of our 'Popularly Positioned Products' (in the 55 countries across relevant carriers) were fortified with at least one of the Big 4 (iron, iodine, vitamin A, zinc) micronutrients. By doing so, we ensure that low-income consumers have access to products with good nutritional value at an affordable price.

<sup>20</sup> Taken from the WHO website, retrieved on January 30, 2014, from <http://www.who.int/nutrition/en/>



## Micronutrient fortification

### Our objective

**By 2016** – We will reach 200 billion micronutrient fortified servings of foods and beverages annually worldwide, with a special focus on children and women of childbearing age.

Nestlé is committed to helping to tackle undernutrition in developing countries and to be effective, our fortified foods and beverages must appeal to the people who need them most. In 2014, we continued to make good progress towards our target, providing more than 183 billion servings of fortified foods worldwide (2013: over 167 billion). We extended our focus on product categories that reach children and women of childbearing age, such as fortified infant cereals and growing-up milks.

Fortification of condiments is generating interest amongst numerous stakeholders, including international health expert groups, because condiments, such as bouillons cubes, are a good vehicle for fortification. They build on existing culinary habits and are consumed widely and frequently in certain regions, such as Central West Africa. We presented how [Maggi bouillon cubes](#) provide an affordable and frequently consumed vehicle for iodine and iron during a global consultation jointly organised by the [WHO](#), the [Micronutrient Initiative \(MI\)](#) and the [Sackler Institute](#).

### Fortified chicken bouillon in Central America

In a region with high levels of micronutrient deficiencies, Nestlé is working to bring servings fortified with iodine and iron to a larger market through Maggi Chicken Bouillon. Five countries in Central America – Honduras, El Salvador, Nicaragua, Costa Rica and Panama – have been targeted in the initial stage of a campaign to reach more consumers. Through the programmes, which include education on balanced cooking and the importance of micronutrients, Nestlé Central America is now reaching 21.8 million consumers (75.5% of a total regional population of 29 million) with the bouillon, ensuring that fortified servings are available to a widening audience.



**Total of 183 billion servings of micronutrient fortified of foods and beverages in 2014.**

### Popularly Positioned Products sales, CHF million

<b>2014</b>	<b>12 205</b>
2013	11 803
2012	11 960

### Popularly Positioned Products stock-keeping units

<b>2014</b>	<b>5 014</b>
2013	9 562
2012	6 367

### Products containing Branded Active Benefits<sup>21</sup>

(sales volume, CHF million)

<b>2014</b>	<b>6 687</b>
2013	6 836
2012	6 455

### Products with increase in nutritious ingredients or essential nutrients<sup>22</sup>

<b>2014</b>	<b>6 359</b>
2013	4 778
2012	4 691

<sup>21</sup> A range of specific ingredients and formulas that give additional, proven health benefits to Nestlé's main food and beverage categories.

<sup>22</sup> Based on reports of approximately 75% of worldwide product development teams. Products can have 'less of' one ingredient and 'more of' another at the same time.



### Nestlé India fortifies for the mass market

*Maggi* India combined knowledge from our EPICURE study with R&D expertise to develop a product designed to be both affordable and nutritious: *Maggi Masala-ae-Magic*, a fortified taste enhancer for everyday dishes with 15% RDA of iodine, iron and vitamin A. Through a sustained ground-level marketing campaign, including sampling and nutrition awareness programmes in rural and impoverished areas, Nestlé India was able to deliver more than 930 million servings of fortified servings in 2014, representing a real success in bringing affordable nutrition to those who traditionally would not be able to access it.

### Tackling dietary deficiencies through *Maggi*

Our work with *Maggi* focuses on tackling nutrient deficiencies with popular products aimed at those who need them most. Two examples of these nutrients are iodine and iron.

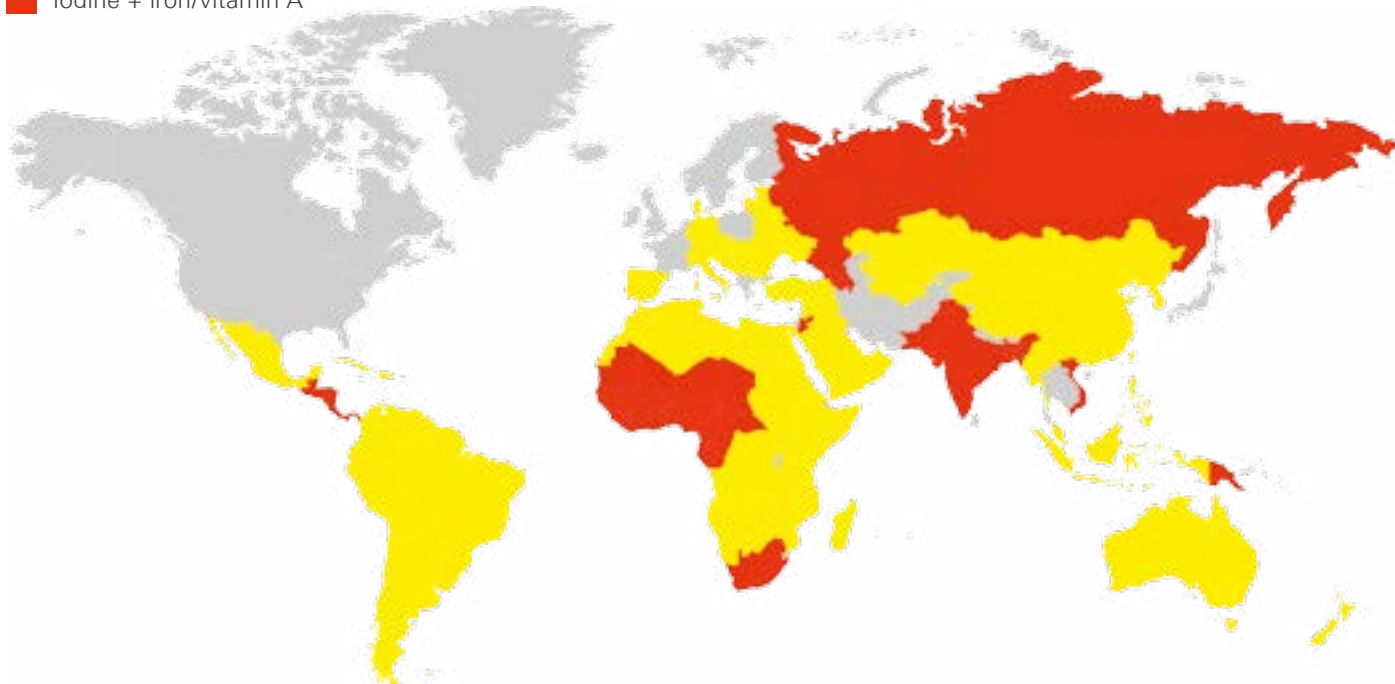
Inadequate dietary iodine is a common and serious deficiency, affecting 2 billion people worldwide. Lack of iodine is the major cause of preventable brain damage. Severe iodine deficiency during pregnancy can result in mental retardation of an infant<sup>23</sup> or miscarriage. To help address the problem, we have continued to use iodised salt in our *Maggi* products: approximately 111 billion individual servings of soups, seasonings and noodles were fortified in 2014 (2013: 90 billion).

With iron, our fortification programme focuses on countries with high deficiency levels, such as India, Pakistan, Central America, and Central and West African countries. In 2014, around 56.98 billion servings of our *Maggi* products were fortified with iron (2013: 40 billion). We market all our fortified *Maggi* products with advertising and information campaigns that promote their health benefits, their affordability and the benefits of combining them with fresh, locally sourced ingredients.

### Fortification in *Maggi*, at least 100 bio servings by 2016 (iodine, iron/vitamin A)

■ Iodine

■ Iodine + iron/vitamin A



<sup>23</sup> [http://www.lef.org/magazine/mag2011/oct2011\\_The-Silent-Epidemic-of-Iodine-Deficiency\\_01.htm](http://www.lef.org/magazine/mag2011/oct2011_The-Silent-Epidemic-of-Iodine-Deficiency_01.htm)

## Biofortification

### Our objective

**By 2015** – We will develop biofortified crops and launch new products in key markets to expand our fortified products portfolio and benefit rural farming communities.

Biofortification is the process by which the nutritional value of food crops is improved through biological means such as conventional plant breeding. It differs from conventional fortification in that biofortification aims to increase nutrient levels in crops during a plant's growth stage, rather than through being added during processing. As such, biofortification could be used to reach populations where conventional fortification activities may be difficult to implement.

Biofortification requires a detailed study and analysis of the many factors that determine how a crop grows, working closely with the farmers that will harvest it. We are collaborating with agricultural research institutes in several countries, working to develop and establish supply chains for biofortified crops, to ensure that commercial quantities will be available in the future. This is a complex process that can take years, and requires a careful collaborative balance between stakeholders in difficult circumstances.

We are focusing on the most promising biofortified crops and have streamlined development work at our R&D centres from six staple crops in 2013 to four in 2014: maize, wheat, sweet potato and rice. For example, we are establishing a supply chain for vitamin A-rich maize in north Nigeria, where the average yield of maize in Nigeria is only 1–2 tonnes per hectare. Our aim is to significantly improve yield while at the same time providing the fortified crop for our own supply chain and for direct consumption by the local community.

## Helping consumers lead healthier lives

Nestlé is committed to promoting balanced diets and regular physical activity. We work with partners to communicate the importance of diet and exercise in achieving or maintaining health and wellbeing, as well as hydration, eating whole grains, fruit and vegetables.

## Promoting healthy hydration

### Our commitment



**Promote healthy hydration as part of a healthy lifestyle**

The human body contains on average 60% water, two-thirds of which is contained inside our cells. Water is involved in many of our body's vital functions; it carries and distributes essential nutrients to cells, removes waste products, helps to control our body temperature, lubricates our joints and acts as a shock absorber for our organs. We get around 20%–30% of our daily water from food and the remainder from the fluids we drink.

The hydration level in our bodies fluctuates constantly and water requirements vary from one person to another, depending on physical activity, ambient temperature, health status, physiological condition, age and gender. Dehydration is a common problem and even mild levels can affect our mental and physical performance<sup>24</sup>. In particular, surveys conducted in some European countries show that children do not meet the recommended water intake, especially at school, as they depend on caregivers for access to fluids (UK, Germany and Italy)<sup>25</sup>. Consequences of mild dehydration (a loss of 1%–2% of body weight) include thirst, tiredness, headaches and a decrease in alertness, concentration and memory as well as loss of physical endurance and sport skills.

### Percentage of water in the human body

	New-born baby	Adult	Elderly person
Total water	75%	60%	50%

In 2014, we analysed data from a national nutrition survey conducted in Mexico to estimate the total water intake of children, aged 4–13; this study, published in a peer-reviewed journal, shows that children are not meeting their daily water needs as recommended by the Institute of Medicine. We are also in the process of publishing the results of research conducted on children's hydration status in Egypt. We continued to raise awareness about healthy hydration, notably through campaigns in the USA and Turkey.

### Continuing to promote water in the fight against obesity

Our 'Time to move against obesity' campaign in Turkey, where the prevalence of obesity is 30%, aims to highlight the importance of healthy hydration, nutrition and exercise in the fight against obesity. The campaign promotes healthy lifestyles and encourages people to drink more water. In May 2013, we held a major press launch which included a nutritionist and dietician, a Turkish celebrity mother and artist, and representatives from the [Turkish Association for the Study of Obesity](#). The 'Time to move against obesity' campaign included national newspaper advertisements, social media activity, television programme sponsorship and an Obesity and Diabetes Summer Camp. The campaign continued in 2014 and has doubled its reach to over 21 million people.

24 Shirreffs (2005). Nutr Reviews 63: S14–S21, Ritz and Berrut (2005). Reviews 63: S6–S13.

25 Fadda et al. Washington, DC. November 2008.

**Drink Better. Live Better.  
with Nestlé Waters**

Nestlé Waters supports the Partnership for Healthier America's Drink Up initiative, a programme that guides people to drink more water. Nestlé Pure Life communicated the partnership on bottled water products, trucks, advertising and social media conversations with both English and Spanish-speaking audiences. Nestlé Waters also launched *Drink Better. Live Better*, a programme that makes drinking water more fun for families by redeeming points collected for a variety of rewards.

**Our objective**

**By 2014** – Further implement our fact-based healthy hydration awareness programme for healthcare professionals, caregivers and parents worldwide, providing a better understanding of the benefits of water as key to healthy hydration.

Being properly hydrated is an essential part of a healthy diet and lifestyle. We not only need to consume a sufficient amount of liquid to remain properly hydrated, but we also need to be selective about what we drink if we are to fully embrace a healthy lifestyle. There is sufficient scientific evidence to suggest that what you drink is as important as what you eat in the occurrence of obesity and obesity-related diseases. Healthy hydration habits start early, yet our studies have shown that two-thirds of children are insufficiently hydrated when they arrive at school. We have been giving child-health stakeholders, including teachers, parents and policymakers, the tools and information they require to ensure children learn about the benefits of healthy hydration.

We are working with the [Project WET Foundation](#) and have collaborated to develop hydration teaching modules aimed at raising awareness about the importance of proper hydration for children. The modules cover the role of water in the body; the concept of water balance and the signs and effects of dehydration; and information about calories in beverages. These modules have been offered to the Nestlé Healthy Kids Programme. Most Healthy Kids Programmes include a healthy hydration component.

This year, Nestlé Waters has expanded the [Project WET Foundation](#) programme into Osun State in Nigeria, and continued the momentum of programmes in China, Jordan and Egypt. Project WET's interactive activities are also used at our factories each year to mark World Water Day, and in 2014, 32 countries took part in company events, with more than 22 000 children participating. Read more in the [Water chapter](#).

## Consuming more whole grains and vegetables

**Our commitment****Encourage consumption of whole grains  
and vegetables**

Whole grains and vegetables are excellent sources of fibre, vitamins and minerals, and surveys show that diets around the world do not contain enough. Nestlé is helping to tackle this problem through our commitment to increase the consumption of whole grains and vegetables.

**Our objective**

**By 2015** – To ensure a high nutritional content, there will be more whole grain than any other ingredient in any serving of children's<sup>26</sup> or teenagers'<sup>27</sup> breakfast cereals.

Cereal Partners Worldwide, our joint venture with General Mills, is encouraging better nutrition at breakfast time. Research has demonstrated that breakfast supplies the body with essential nutrients necessary for brain function<sup>28</sup> and can result in generally improved nutrition<sup>29</sup>, providing important nutrients and helping to maintain a healthy body weight. Furthermore, eating a nutritious breakfast as a family can help generate good habits that last a lifetime<sup>30</sup>.

According to Cereal Partners Worldwide (CPW) requirements, cereals for children and teenagers<sup>31</sup> must contain at least 8g of whole grain per serving, the equivalent of half a portion of whole grain as established by the United States Department of Agriculture (USDA) guidelines. Those cereals that meet these requirements are identified with the Green Banner and Whole Grain Tick. In 2014, CPW made steady progress against its Whole Grain Commitment, increasing the total amount of servings to at least 95% (2013: 74%). We are optimistic that we will be able to convert the remaining 5% of the recipes to have more whole grain by the end of 2015.

Because adding more whole grain to our recipes impacts everything from taste to texture to shelf life, we are proceeding with care to make sure that our [product reformulation](#) is successful, maintaining the right consumer experience. We understand that it can be hard to ensure that kids eat a balanced breakfast – or any breakfast at all – so we want to make sure our products have a taste they love.

26 Products for which 50% or more of consumers are below 12 years old, or are designed for or perceived as being designed for this age group.

27 Products for which 50% or more of consumers are below 18 years old and, within this, more teens than children.

28 Dye & Blundell, 2002; Leigh & Green, 2002.

29 Rampersaud et al, 2005.

30 Kennedy & Davies, 1998; Keski-Rahkonen et al, 2003.

31 Products for which 50% or more of consumers are below 18 years old and, within this, more teens than children.



## Our objectives

**By 2015** – 90% of Maggi product portfolio worldwide promoting home cooking and meals with vegetables.

**By 2015** – Maggi Cooking Lesson Programme will be ongoing in 30 countries.

Increasing vegetable content in products offers its own challenges, due to their water content, and the need to preserve colour, texture and vitamin content. In parallel to our work on product recipes, we focus on promoting simple and appetising ways to prepare and serve fresh vegetables as part of family meals. By the end of 2014, the *Maggi* Cooking Lesson Programme was taking place in 20 countries (2013: 16). To date, 73% of the *Maggi* product portfolio promotes home cooking and meals with vegetables (2013: 68%).



### The benefits of cooking for the family

A significant body of research shows that family meals and cooking at home are related to better nutrition and health. To gain further knowledge in this area, [Nestlé Research Center](#) (Lausanne) compared what children choose to eat when they help to cook their own meal, with what they eat when they do not. In the study published in April 2014<sup>32</sup>, our nutritionists found that children who were involved in food preparation ate more of their meal, and a significantly larger amount of vegetables.

Forty-seven parents, accompanied by a son or daughter aged between 6–10 years old, were asked to prepare a meal using various elements, including breaded chicken, salad, cauliflower and pasta. Half the children in the experiment got involved in preparing the meal – putting together the salad and helping their parents coat the chicken pieces – while the other children played, as their mother or father prepared the meal alone. The children who cooked alongside a parent ate almost 76% more salad and 27% more chicken, as well as consuming 24% more calories overall. Those children who helped to prepare a meal also felt ‘valence’ (feeling positive) and ‘dominance’ (feeling in control).

There was also a correlation between time spent preparing the meal and time spent eating it (as well as the level of enjoyment expressed), suggesting that children who spend time in the kitchen will also spend longer at the table, and enjoy it more too.

## Offering nutritional advice

Nutrition and health claims can act as an important signpost for consumers to identify food with nutrition, health and wellness benefits. All claims must be truthful, meaningful, cannot be misleading, and must be scientifically substantiated, especially health claims. It is our policy that all nutrition and health claims must comply with regulations in the country where they are sold, and with Codex Alimentarius Guidelines should there be no local regulation. An expanded edition of the [Nestlé Policy on Health and Nutrition Claims](#) is to be released.

## Our commitment



**Deliver nutrition information and advice on all our labels**

We aim to help consumers improve their understanding of appropriate eating habits, with clear information about ingredients and portion size on our products. At the end of 2014, around 92.8% of the foods and beverages we sell worldwide<sup>33</sup> displayed the *Nestlé Nutritional Compass*<sup>®</sup>, which helps consumers make informed decisions about the food and beverage choices they make. The compass includes a breakdown of the nutritional composition of the product, tips for a healthy, balanced diet and contact details for more information.

## Our objective

**By 2016** – Make information more accessible by providing further product information and nutrition advice on pack, via Quick Response (QR) codes for smartphones.

Consumers are increasingly using mobile devices to research products, make purchase decisions and share their views on third-party sites or through apps. To meet this demand, we are expanding the use of the *Nestlé Nutritional Compass* to include a QR (Quick Response) code to give consumers a gateway to useful, fact-based information. By scanning the QR code on certain Nutritional Compasses, consumers can go ‘Beyond the Label’ to access information on the nutritional, environmental and societal aspects of the product.

Currently, product information is being provided via more than 2 000 product websites<sup>34</sup> covering a total of 31 brands in 43 countries, especially children and family brands (2013: 160 product lines, 13 brands, 36 countries).

<sup>32</sup> Van der Horst, K., Ferrage A., & Rytz, A. 2014.

<sup>33</sup> Excludes total petcare and, for USA only, Dreyer’s and licensed brands Häagen-Dazs and California Pizza Kitchen.

<sup>34</sup> In 2014 we report by product website, over product lines to provide more robust measurement.



### Going beyond the label with Maggi

Media reports last year forecast that phone users in India and China would purchase more than 500 million smartphones in 2014. India alone was predicted to be the second-largest country for smartphones worldwide. We want to make nutritional information more accessible for our consumers, and our *Maggi* brand is using smartphone QR codes to deliver it.

*Maggi* Soups in India has started launching mobile sites containing value-added information about the nutrition, environmental and societal contributions of the brand. By scanning on-pack QR codes with a smartphone, consumers can access useful nutrition information and tips on portion guidance and vegetable consumption. The site features a 'daily meal clock' to support consumers' healthy eating habits by portioning out daily meals to balance out food intake over the day.

#### Our objectives

**By 2016** – All our relevant<sup>35</sup> food and beverage products worldwide will have Guideline Daily Amount (GDA)-based labels on front of pack.

**By 2016** – We will introduce GDA-based labelling, based on children's reference values, to all products designed for children, where regulations allow.

GDA-based labels inform consumers about the calories, sugars, fat and other nutrients in a serving of food or beverage and, crucially, how this compares to reference daily guidelines. Global debate continues on the most effective way to communicate nutritional information on packs, and in some countries, GDA-based labels cannot be implemented due to regulations. At the end of 2014, 79.7% of our relevant<sup>35</sup> products feature front-of-pack GDA-based labels (2013: 53.5%). In 2014, 62.7% of relevant products designed for children used children's GDA (Guideline Daily Allowances), where regulations allow in 53 countries.

### Guiding food consumption levels

#### Our commitment



**Provide portion guidance for consumers**

Worldwide, nutrition and public health experts are in agreement that there is a need for better guidance to encourage the consumption of food and beverage portion sizes that are compatible with good nutrition and health. Nestlé Portion Guidance™ is a voluntary and proactive initiative, based on dietary recommendations from around the world. This initiative is designed to help a re-framing of portion norms, particularly in energy-dense food and beverage categories where habitual servings have increased over time. It does not replace existing authoritative die-

tary recommendations, but helps to bridge the gap between those recommendations and the labelling regulations in guiding consumers towards more carefully considered portions as part of a healthy, balanced diet. Products offering specific portion guidance represented CHF 26.5 billion in products sold in 2014 (2013: CHF 26.7 billion).

Regulations do exist in most parts of the world for the reference amount listed on a nutrition label. This reference amount (often called a serving or a portion on the label) provides the basis for declaring energy and other nutrient values to be labelled, but in most countries is not established as a recommended portion for that item at one eating occasion. In some countries, however, this reference amount is that typically consumed by individuals. This gap in understanding can cause significant confusion for the consumer between what an appropriate portion is and what is actually consumed.

#### Our objective

**By 2015** – Provide portion guidance on all children's<sup>36</sup> and family products<sup>37</sup> to encourage healthy portion consumption.

Nestlé Portion Guidance™ is unique in that it is meant to engage consumers to consider healthier portions, right on the package, at point-of-sale and at the moment of use. It addresses a key challenge for consumers: helping to find balance through all their food and beverage decisions, by giving them guidance about variety, appropriate portions and frequency of consumption in a practical and considered way. Nestlé portion quantities have been determined using a thorough and comprehensive process over more than seven years of research and expert consultations on recommended portions, and how those portions fit into the context of a healthy, balanced diet.

### Portion guidance in Oceania

As part of efforts to achieve the portion guidance objectives for 2015, Nestlé Oceania has rolled out the Portion Guidance Device on all our confectionery packs to give consumers an easy view of how much of the product constitutes one serving. The device, which takes the form of an icon that visually represents a portion of each product, has been designed to guide consumers to enjoy confectionery responsibly. A random survey of 383 customers in Australia and New Zealand found that 60% of consumers thought that the icon contained information they needed to know, allowed for more responsible eating and better regulated food intake and helped clarify the other nutritional information on the pack. The device is a key component of Nestlé Oceania's portion guidance engagement strategy, which includes supporting texts on product packaging.

<sup>35</sup> Products with significant everyday usage, by humans (not pets), that deliver calories and have sufficient pack surface to feature a GDA label.

<sup>36</sup> Products for which 50% or more of consumers are below 12 years of age, or are designed for or perceived as being designed for this age group.

<sup>37</sup> Family products are those for which 20%–50% of consumers are below the age of 18 years.

Portion guidance has been developed for each food and beverage item in the form of a book, with product quantity, pack design, clear illustrations and sometimes even with a serving device. All chapters of the Portion Book have been issues in each of the three zones (the Americas, Europe and Asia, Oceania and Africa). By the end of 2014, we offered specific portion guidance for an estimated 30.2% of our children's and family products portfolio. Nestlé Portion Guidance™ is a commitment that we are driving and implementing across our brands throughout the world.

This task does pose challenges. These include:

- Defining healthier portions for various types of food and beverages, and across different cultures;
- The cost and time involved in renovating products and packaging; and
- Ensuring consumers are not confused between the serving size listed as a result of nutrition labelling regulations and the actual healthier portion recommendations.

Nestlé believes that packaged goods companies and food service establishments have a shared responsibility to act now to help consumers choose thoughtful portions. We hope that our Portion Guidance™ efforts will help to trigger a reframing of portion norms and a positive difference in consumer behaviour, to help people understand the fundamental role that quantity, frequency and quality plays in building a healthy and balanced diet. Encouraging consumers to adopt smaller portion sizes of a product may represent a cultural change that will take time to embed. Among our stakeholders, we need to build trust and understanding around our attempts to lead the industry in promoting healthier portion sizes, and welcome and encourage others to join this effort. We hope that others will help to elevate the importance of portion guidance in partnership with Nestlé or through their own efforts.

### Portion guidance in New Zealand

Portion guidance initiatives are firmly grounded in Nestlé New Zealand's approach to Creating Shared Value, taking the form of portion guidance plates and supporting information, which are distributed during educational programmes for young people, such as MILO Junior Rugby; International Association of Athletics Federations initiatives; Cook for Life; and Be Healthy Be Active.

The plastic reusable plates form an excellent learning tool, which helps children to understand the balanced meal message of including a half vegetables, a quarter protein and a quarter carbohydrates on their plate for dinner. The plates are used as a learning tool at each session, and are included in the take-home packs. This gives the young people the tools to explain the balanced meal principle to the families and then to use the plate to serve their dinner on. The plates are dishwasher safe and microwavable.



### Promoting a mindful approach to pizza

We are promoting a [mindful approach to pizza](#) in the USA, where it is a firm favourite on many family tables. Pizza combines several food groups including grains, calcium-rich dairy, vegetables and protein, but it also contains significant calories, saturated fat and salt. Developed with registered dietician and author Dr Lisa Young, and launched during National Pizza Month, the Nestlé Pizza Portion Guide offers nutritional information, portion guidance and ideas to help make pizza part of a balanced meal. Portion guidance is broken down for different members of the family and it might surprise some consumers – for example, if one serving is one-sixth of a particular pizza, it may be recommended that a parent consumes just two servings as part of a balanced evening meal, while their five-year-old child should consume just half a serving.

# Nutrition education

Nestlé believes that education can play an important role in promoting good nutrition and healthy lifestyles. To this end, we have two global educational programmes designed to address the concerns of the groups that are most involved in implementing good practices: healthcare professionals; and parents/caregivers. The former is supported by the Nestlé Nutrition Institute (NNI), while the latter is addressed by the Nestlé Start Healthy, Stay Healthy programme.

## Our commitment



**Provide education programmes for good nutrition and feeding practices**

## The Nestlé Nutrition Institute

### Our objectives

**Ongoing** – Offer nutrition education services and programmes for healthcare professionals addressing global under- and overnutrition problems.

**By 2015** – Nestlé Nutrition Institute will reach over 1 million healthcare professionals via its online educational services in nine languages.

The [Nestlé Nutrition Institute \(NNI\)](#) offers nutrition education services and programmes for healthcare professionals addressing global nutrition and health concerns. It is a not-for-profit organisation offering a variety of on- and offline unbranded high-quality educational services to healthcare professionals, including a focus on the first 1 000 days of life, from conception to the child's second birthday.

Currently, the NNI is active in 195 countries, with more than 243 000 healthcare professionals registered as members of its educational website. As the world's largest private publisher of nutritional information, the NNI offers about 3 000 publications, most which are listed on Medline/PubMed and all of which can be downloaded for free by registered members. The NNI has held over 700 online conferences, scientific workshops and satellite symposia with leading nutrition experts since its inception. It has awarded 8–10 postgraduate academic fellowships per year to young medical doctors from developing regions.

The NNI engages with healthcare professionals, medical students, scientists and nutrition communities to share leading science-based nutritional education, resources and research covering topics including maternal and infant nutrition, geriatrics, and obesity management.

## ESPHGAN & NNI in Africa

To maximise the reach of our programmes to benefit communities around the world, the NNI provides an education grant to [ESPHGAN](#) (The European Society for Paediatric Gastroenterology, Hepatology and Nutrition) to educate African paediatricians in gastroenterology and nutrition. Eighty-seven doctors from 18 African countries have been trained since 2012, and 30 more will be trained in 2015. Our aim is to build up a critical mass of trained paediatricians in gastroenterology and nutrition who will then cascade their knowledge to others.

## Start Healthy Stay Healthy

### Our objectives

**Ongoing** – Provide science-based practical nutrition education for parents and caregivers on the importance of the first 1 000 days (from conception to the child's second birthday), including maternal nutrition during pregnancy and promoting breastfeeding as the best start in life.

**By 2015** – Nestlé Start Healthy Stay Healthy will reach over 5 million mothers and caregivers worldwide with multi-lingual online nutrition education services.

The Start Healthy, Stay Healthy programme is designed to provide support for mothers and caregivers to ensure they get nutrition right in the first 1 000 days, a unique window of opportunity for ensuring optimal growth and development in the short term and for impacting the future health of a child over the long term.

These nutrition education goals are being pursued globally through an interactive, science-based programme, which covers the entire first 1 000 days period and consists of unique education services and nutrition solutions. Customised to meet local nutrition guidelines, the programme is framed for learning (four online education modules) and provides nutritionally and developmentally appropriate practical advice to parents, nudging them from general awareness, to active learners who want to adopt health-promoting behaviours. The information is also shared with the medical community, allowing practitioners to use it in their face-to-face patient consultations.

The Start Healthy, Stay Healthy nutrition education programme will be available in more than 20 markets, reaching out to more than 5 million mothers across the world, by the close of 2015.

## Working with chefs and food services professionals

We understand the importance of giving consumers the information they need to make informed nutrition choices, and through Nestlé Professional we have the opportunity to work with chefs and food service operators around the world, who decide the nutritional content of food and beverages for their consumers.

We distribute [Nutripro](#) magazine, a resource that provides nutritious recipes, cooking tips and advice for chefs. We are encouraging our customers to use specific herbs and spices to add flavour to menus and some even offer fresh herbs or chilli flakes on tables for consumers to tailor dishes to their preference.

## Educating our employees

In line with our ambition to be the world's leading Nutrition, Health and Wellness company, nutrition is everyone's business at Nestlé. We therefore train all our people using Nestlé's Nutrition Quotient programme (NQ), which is designed to ensure everyone at Nestlé has a strong foundation of nutrition knowledge and is empowered to apply the NQ learnings in professional activities every day. Launched in 2007, our NQ programme is an ambitious initiative, seeking to touch all of our employees around the world, covering basic nutrition science, regulations and the components of a healthy balanced diet.

With the help of a highly interactive and efficient e-learning programme, we have produced progressive levels that cover subjects like carbohydrates, vitamins, antioxidants and protein. For those employees without computer access, we provide in-class training and organise factory site campaigns with educational posters, activities and hand-outs that our people can take home to their families. All participants are tested before and after the NQ training is delivered to measure progress. By the end of 2014, more than 310 833 employees (70%) around the world had completed [NQ training](#) since it was launched in 2007. In 2014, 51 113 people received NQ refresher training (2013: 108 083).

We also train Nestlé Nutrition employees on the [Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes](#).

 **For more information see the [Training our employees](#) section.**

# Our research and development

We have a responsibility to use our knowledge and our research and development capability to make a positive contribution to society through innovation. The more we learn about how people eat and drink at every stage of life, and about consumption habits and lifestyle behaviours (from what time meals occur to whether they are consumed alone or as a family), the greater the opportunity we have to help them make appropriate choices and maintain their health. Everything we do is underpinned by sound science, enabling us to produce high-quality, safe food and beverages for consumers worldwide. Nestlé's diverse portfolio means our teams can share technologies from one food and beverage category to another. And having over 150 years of experience in the field of nutrition provides us with an ideal platform from which to contribute to the body of scientific knowledge on nutritional issues. To help the wider public health community, we use and share information transparently, working with independent experts to develop science-based nutritional solutions that address some of today's most important nutrition and health issues, including obesity and micronutrient deficiencies.

## Developing nutrition solutions

Our global research network is led by three science and Research Centers: the Nestlé Research Center (NRC); the Clinical Development Unit (CDU); and the Nestlé Institute of Health Sciences. These centres are supported by 31 Product Technology and Research and Development centres across the globe.

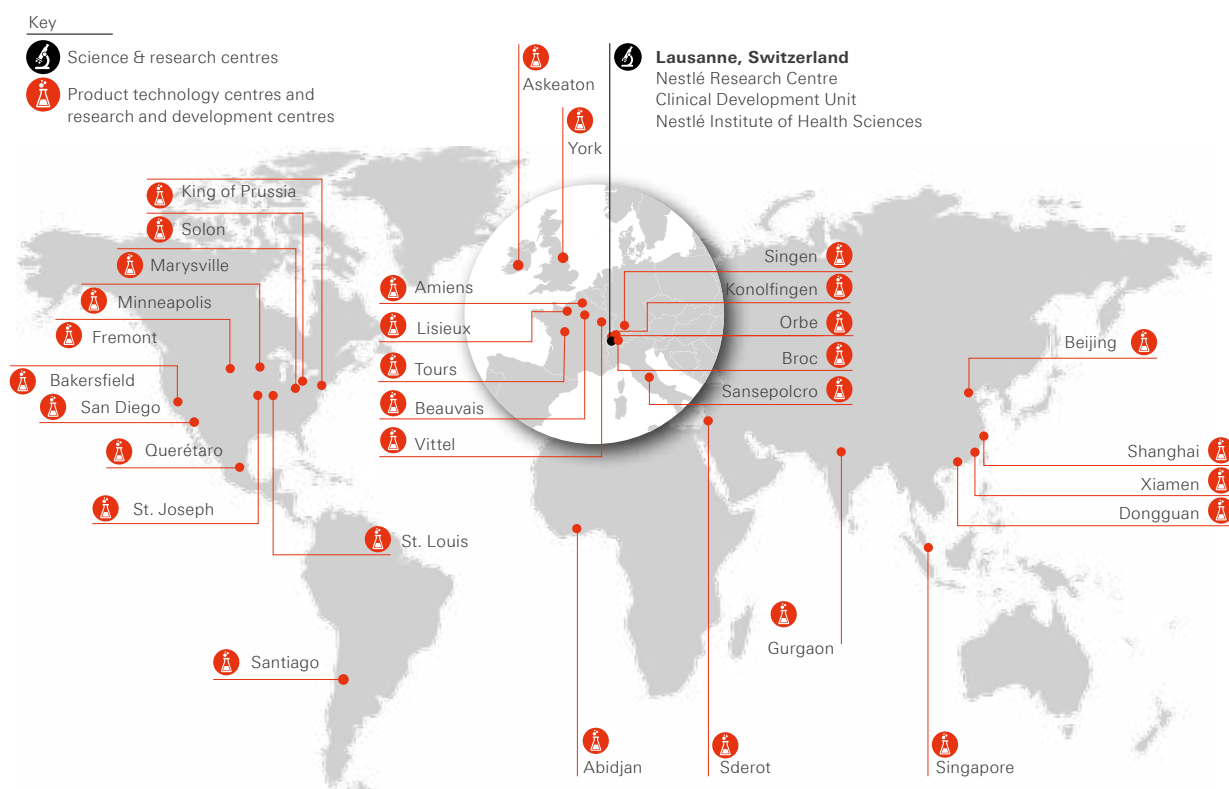


When it comes to nutrition research, the interests of all stakeholders must be addressed. I would encourage everyone to trust that when there is a common interest and a common passion that eventually these issues can be resolved."

**Stefan Catsicas, Executive Vice President; Chief Technology Officer; Head of Innovation, Technology, Research and Development, Nestlé S.A.**

In 2014, Nestlé invested approximately CHF 1.629 billion in Research and Development activities, the majority of this for the food and beverages businesses, and filed 300 patents. Nestlé has the largest private research and development network in the industry, employing over 5 300 people. The organisation allows global scale to be complemented by local relevance.

## Nutrition R&D Network Map





## Key activities and research themes in 2014

Our R&D units	Role (and research themes)	2014 collaborations (internal and external)	Consumer benefits
<b>Nestlé Research Center (NRC)</b>	Drives science and technology, from basic nutrition and health research to applied research for product development and application	<ul style="list-style-type: none"> <li>Continued collaboration with EpiGen Consortium, initiated in 2011, to research maternal nutrition</li> <li>Meta-analysis collaboration with Soochow University, Suzhou, China, to determine whether probiotic fermented milk has an effect on blood pressure</li> <li>Collaboration with Lausanne University Hospital (a study on encouraging healthy eating in the family) and the University of Bern (research into how coffee helps reduce insulin resistance in men)</li> <li>Collaboration project with Council of Scientific and Industrial Research and Agricultural Research Council in South Africa on green leafy vegetables</li> <li>FITS and KNHS: executed in collaboration with University of North Carolina and with Research Triangle Institute (RTI) in North Carolina</li> </ul>	<ul style="list-style-type: none"> <li>Substantiate optimal nutrition for mothers during pregnancy and for infants to promote metabolic health throughout life</li> <li>Improve knowledge about the effect of food ingredients on cardiovascular health</li> <li>Study providing insights into how consumption of soluble coffee alleviates hepatic insulin resistance, an underlying cause of type 2 diabetes and cardiovascular disease</li> <li>Deliver traditional green leafy vegetables from farm into Nestlé product applications. The collaboration enforces farming of local crops, exchange of scientific knowledge and training</li> <li>Feeding Infants and Toddlers Study (FITS) and Kids Nutrition and Health Study (KNHS), a large-scale dietary intake and health behaviour studies covering the ages from birth to 12–13 years</li> </ul>
<b>Nestlé Clinical Development Unit (CDU)</b>	A central location for Nestlé's clinical development programmes, established to evaluate the impact of our foods on human biology, health, taste and pleasure	<ul style="list-style-type: none"> <li>CDISC: CDU drives the development of data standards for clinical research in collaboration with industry partners</li> <li>Medidata: develop innovative ways to gather health information that is relevant to our consumers</li> <li>150+ active collaborations with leading universities and hospitals worldwide to conduct Nestlé-sponsored clinical studies</li> </ul>	<ul style="list-style-type: none"> <li>Increase data quality to support NHW messages and support fast availability of products on the market</li> <li>Obtain the highest quality of objective evidence for the health benefits of our products</li> </ul>
<b>Nestlé Institute of Health Sciences</b>	Biomedical research institute specialising in metabolic health, gastrointestinal health, brain health and ageing	<ul style="list-style-type: none"> <li>Agreement with Cellular Dynamics International (CDI) to support its biomedical research programmes</li> <li>Collaboration with the Waters Corporation to develop a new generation of tests for measuring micronutrients</li> </ul>	<ul style="list-style-type: none"> <li>Research programmes on maintaining health and helping to manage conditions such as diabetes and obesity</li> <li>Research that will be applied to monitor the effectiveness of fortification and better define personal micronutrient needs</li> </ul>
<b>Nestlé Nutrition Institute</b>	Shares leading science-based nutrition information and education with healthcare professionals, scientists and public health communities and stakeholders	<ul style="list-style-type: none"> <li>Collaboration with ESPGHAN – training of African paediatricians in gastroenterology, hepatology and nutrition (ESPGHAN goes Africa)</li> <li>Collaboration with IPA on developing nutritional recommendation for adolescents and young women</li> <li>Collaborative project with Aga Khan University (Pakistan) and Sick Children hospital in Toronto on development of e-learning modules on public health</li> </ul>	<ul style="list-style-type: none"> <li>The course helps to enhance knowledge in paediatric gastroenterology and nutrition among African paediatricians to improve paediatric healthcare across the continent</li> <li>Substantiate optimal nutrition for young women before and during pregnancy to promote health for future generations</li> <li>Promote and disseminate education on the main public health issues to help achieve Millennium Development Goals</li> </ul>

Our business units	Role (and research themes)	2014 collaborations (internal and external)	Consumer benefits
<b>Nestlé Health Science</b>	Pioneering the development and application of evolving science to create a new role for nutrition in disease prevention and management	<ul style="list-style-type: none"> <li>Investment in Seres Health Inc., Cambridge, Mass., USA, to advance research into microbiome therapeutics</li> </ul>	<ul style="list-style-type: none"> <li>Development of understanding on diseases and how to manage them through clinically proven innovations</li> </ul>
<b>Nestlé Skin Health</b>	A wholly owned Nestlé subsidiary focusing on meeting the world's increasing skin health needs with a broad range of innovative and scientifically proven products	<ul style="list-style-type: none"> <li>Formed in 2014 with the acquisition of the second 50% stake in Galderma from L'Oréal</li> </ul>	<ul style="list-style-type: none"> <li>Focuses exclusively on dermatology, developing products and over-the-counter medications with psychological and social benefits for our consumers</li> </ul>

## Our commitment



**Lead the industry in nutrition and health research through collaboration**

## Our objectives

**By 2016** – To further develop and integrate the molecular nutrition capabilities and clinical strategies of the Nestlé Institute of Health Sciences (NIHS) and the Nestlé Clinical Development Unit to better define health globally for the management of disease using nutritional solutions.

**By 2016** – Refocus the Nestlé Research Center (NRC) on five key platforms: Healthy Ageing; Healthy Pleasure; First 1 000 days and Healthy Kids; Sustainable Nutrition; and Food Safety and Integrity.

We are continuing to strengthen our research and development capability and in March 2014, we opened a new Food Safety Institute in Beijing, which will help meet China's growing demand for healthy and safe food, one of the top three concerns among Chinese consumers. The Institute will work closely with authorities to help provide the scientific foundation for food safety policies and standards. Support will include early management of food safety issues and collaboration with local universities, research institutes and government agencies. It will also promote scientific communication and help run food safety training programmes.

In 2014, Nestlé entered into a strategic partnership with the Singapore government's Agency for Science, Technology and Research, A\*STAR, with the goal of setting up global research programmes in food science and technology. The agreement will focus on areas such as nutrition, packaging, data analytics and also biotransformation – the use of natural processes, such as fermentation, to transform raw materials into ingredients with nutritional or functional benefits. Some of the food products we make using this natural fermentation include *Maggi* Liquid Seasoning based on wheat gluten fermentation and *Maggi* bouillon cubes in West Africa, based on soya fermentation.

## The epigenetics of our health

Epigenetics is the science of how environmental factors, such as nutrition, exercise and lifestyle, have a direct effect on your genes. There is growing evidence that epigenetic marks effected by the lifestyles of parents and even grandparents can be inherited and impact on a person's health, both as a child and throughout their life. In particular, the nutrition received by mothers-to-be during pregnancy, and by infants in the first few months of life, makes a crucial difference to the child's long-term well-being. To understand this more, and develop the best-possible nutritional solutions for mothers and infants, Nestlé is collaborating with the EpiGen Global Research Consortium, a group of some of the world's leading epigenetics researchers.

Since 2006, EpiGen has been bringing together researchers from institutions in Auckland, Southampton and Singapore, and collaborates with representatives of private-sector institutions around the world. Research by EpiGen has discovered the association between diets of expectant women and the likelihood of children to become overweight or obese during childhood<sup>38</sup>.

In December 2014, Nestlé announced a major new collaboration with EpiGen researchers over the next six years. The collaboration aims to improve nutrition and maintain health during pregnancy. "This is an important collaboration for Nestlé as it will help to better develop our understanding of the influence of nutrition and genetics at the beginning of life and continue to build our knowledge in this important area," said Stefan Catsicas, Nestlé's Chief Technology Officer. "Ultimately, being a leading Nutrition, Health and Wellness company is about improving the quality of people's lives."

In February 2015, EpiGen published a study conducted in collaboration with the Nestlé Research Center, which showed the role of external factors, such as mode of birth delivery, that impact the development of key gut bacteria in infants. The study was published in the American Society for Microbiology's *mBio* journal<sup>39</sup>. Gut bacteria are commonly referred to as the microbiome, which consists of around 100 trillion micro-organisms that live in the body and perform a variety of important functions, including supporting the immune system and influencing epigenetic processes through fatty acid synthesis. The results of the study provide further insights that could eventually lead to the development of nutritional products for expectant mothers.

38 Godfrey K.M. et al, *Diabetes* 2011 60:1528–1534.

39 Dogra S. et al, *mBio* 2015;6: e02419-14



### First step towards made-to-measure vitamins

To understand the molecular relationships between nutrients and their effects on patients at different stages of their lives, the Nestlé Institute of Health Sciences and the Waters Corporation – based in Massachusetts, USA – is collaborating on a ground-breaking research project that could lead to vitamin combinations tailored to individual needs. The partnership aims to develop new tests to measure the amount of vitamins in bodily fluids, such as blood and urine. Eventually, these tools will help to define and address the specific nutrient needs of individuals and groups.

### Biomedical research strategy

Our long-term biomedical research strategy combines the use of pluripotent stem cells<sup>40</sup> (which can grow into many different types of body cell) with other advanced technologies, to better define the genetic and metabolic basis of health and disease. The research will provide the scientific basis for new nutritional solutions that could play an important role in helping to prevent or slow the onset of certain serious health conditions, including obesity, diabetes and cognitive disorders.

In January 2014, the [Nestlé Institute of Health Sciences](#) signed a long-term agreement with a US-based developer of stem cell technologies, [Cellular Dynamics International \(CDI\)](#). The agreement will give the Institute access to cell products to support research programmes on maintaining health and helping to manage conditions such as diabetes and obesity. The CDI cell products used by the Institute are obtained using a pioneering method that ‘reverse-engineers’ adult human cells to behave like human stem cells. Nestlé does not conduct any research using human embryonic stem cells.

### Personalised nutrition development

At different life stages, we want to understand the molecular relationships between different nutrients and their effects on healthy individuals or patients. The [Nestlé Institute of Health Sciences](#) and the [Waters Corporation](#) have started ground-breaking research that could lead to the development of vitamin combinations tailored to individual needs. The collaboration will start by developing a new generation of tests for measuring the amount of vitamins in body fluids, such as blood and urine. Current analysis techniques lack sensitivity and laboratory tests are slow processes, so this project will develop methods to measure a broad range of nutrients and micronutrients in a quick, accurate and robust way. The [Nestlé Institute of Health Sciences](#) aims to use its new analytical methods to open new research avenues for developing nutrient testing for monitoring the efficacy of targeted nutritional interventions applied to patients (medical nutrition) or to general populations (fortification).

### Research to improve cardiovascular health

Last year, together with the [Soochow University](#) in China, NRC performed a meta-analysis to determine whether probiotic fermented milk has an effect on blood pressure. The meta-analysis of 14 randomised controlled trials involving 702 participants showed that probiotic fermented milk lowered the blood pressure of pre-hypertensive and hypertensive individuals. Several studies have examined the capacity of bio-actives in fermented milk to lower blood pressure, but more large-scale trials are needed to confirm a role for live probiotic micro-organisms in such effects. In 2014, the [Nestlé Research Center \(NRC\) Beijing](#) organised a joint symposium with the Great Wall International Congress of Cardiology, focused on nutritional approaches for cardiovascular and metabolic health. Experts were invited from China and abroad to highlight the importance of nutrition and exercise in the management of cardiovascular and metabolic risks and to promote cardiovascular health.

<sup>40</sup> Nestlé uses adult non-embryonic stem cells (iPSCs) and does not do any research using human embryonic stem cells.

## Applying our research

Social trends indicate that the global population is ageing, and the prevalence of chronic diseases and conditions connected to lifestyle are rapidly increasing. It is estimated that, by 2020, 20% of the world's population will be older than 65, 60% will die from chronic conditions (such as cardiovascular diseases, diabetes, Alzheimer's disease and gastrointestinal diseases), and 20% will be overweight or obese. Each of these fast-approaching realities will require more advanced healthcare systems. Estimates also indicate radically increasing health costs; for example, per capita expenditure is predicted to rise to CHF 13 860 in the United States. In short, healthcare will become an unsustainable burden<sup>41</sup>. The onus is on all of us to start preparing for the future. Through Nestlé Health Science, the Nestlé Institute of Health Sciences and the Nestlé Research Center, we're working to discover applicable, science-based nutritional solutions that can reduce and manage diseases, or improve care for the elderly, in the years ahead. By exploring the potential to merge nutrition and pharmaceutical sciences, Nestlé is in a strong position to develop innovative, personalised and effective therapeutic approaches.

### Nestlé Health Science

[Nestlé Health Science \(NHS\)](#), a wholly owned subsidiary of Nestlé, was created to provide nutritional support for people with specific dietary needs related to illness, disease or life stage. By applying the medical research generated by other Nestlé bodies and partners, NHS has an important role to play in our undertaking to become the recognised leader in Nutrition, Health and Wellness, bridging the gap between food and pharma.

NHS began operations in January 2011 with the specific goal of becoming the global leader in science-based, personalised nutritional solutions. Through founding business [Nestlé Health-Care Nutrition](#), a division dedicated to the nutritional management of disease conditions, NHS focuses on six areas:

- **Ageing Medical Care** aims to address specific health conditions with an emphasis on enhancing 'healthy ageing';
- **Critical Care and Surgery** creates products that aid recovery after surgery and reduce risks of post-operative complications;
- **Paediatric Medical Care** is responsible for researching nutritional solutions to undernutrition, metabolic disorders, gastrointestinal impairment and food intolerances;
- **Gastrointestinal Health** develops products that assist patients with gut difficulties;

- **Metabolic Health** researches means of maintaining metabolic balance; and
- **Brain Health** focuses on helping patients retain their cognitive functions and remain independent.

In 2010 and 2011, the acquisition of VitaFlo, Prometheus Laboratories and CM&D Pharma, and investment in Vital Foods, have further strengthened our capabilities in paediatric medical care and gastrointestinal healthcare.

To support the development and growth of the business, we have also established an NHS manufacturing plant within our Kasumigaura factory in Japan. With an increasingly ageing population with ever-higher nutritional needs, Japan's demand for medical nutrition continues to expand, and the medical nutrition solutions we have been producing there since June 2014 are highly valued by healthcare professionals, patients and consumers.

We are also exploring the development of science-based, personalised nutritional solutions to address chronic conditions in the area of metabolic health and brain health.

### Having an *Impact* on gastrointestinal cancer

Immunonutrition, defined by the *British Medical Journal*<sup>42</sup> as the potential to modulate the activity of the immune system by interventions with specific nutrients, is being seen as a potential key component of treatment for gastrointestinal cancer. Studies determined that 31% of patients with gastrointestinal cancer who chose surgery suffered post-operation complications and prolonged hospitalisation. *Impact*, a liquid that can be ingested via a tube or as a ready-to-serve drink, was designed by NHS to reduce these complications. When clinically trialled on 28 patients, the risk of post-operative infections was reduced by 36% and hospital stays were cut by an average of 2.6 days, producing savings of CHF 2 600 per patient.

### Nestlé Institute of Health Sciences (NIHS)

The [Nestlé Institute of Health Sciences](#) (NIHS), established in January 2011, undertakes fundamental scientific research into how nutrition can be used to empower people to improve and maintain their health. With a focus on brain health, gastrointestinal health, metabolic health and ageing health, the Nestlé Institute of Health Sciences team of world-class scientists:

- Establishes ways to model cell function in both health and disease;
- Develops clinically relevant models that simulate the molecular characteristics of ageing and common chronic diseases;
- Identifies and discovers nutritional interventions that protect health and modify these disease mechanisms; and
- Develops diagnostic approaches to help to personalise nutritional strategies.

41 UN, WEF, IBM, PwC, Litsearch, Bain analysis/estimates.

42 <http://www.bmj.com/content/327/7407/117>



Nestlé Institute of Health Sciences research teams provide the scientific basis for NHS personalised nutrition solutions, through greater insight into how our environment, diet and life-style intersect with our genetic make-up, gut micro-organisms, metabolism and nutritional status to determine our health. Nestlé Institute of Health Sciences is working to establish the first complete essential nutrient profiling platform for accurate analysis of nutrient status, to be finalised in 2015. Thanks to the development of digital applications that capture dietary intake, the Institute can now combine the information about the nutritional content of diet with measurements in people's blood. This research offers the prospect of developing personalised nutrition products, including dietary recommendations. Using an approach based on published research in integrated systems biology, an unlimited range of scientific data, from genomics to clinical studies, can be accessed, offering new insights into the underlying mechanisms of health and disease.

### Fighting fatigue with *Meritene*

The solutions designed by NHS include *Meritene Energis*, a flavoured vitamin, mineral and protein fortified drink mix made with skimmed milk and vegetable oil. *Meritene* is designed for both children and adults who require special nutritional support, due to a lack of appetite caused by illness, ageing or convalescence. The inclusion of vitamins B2, B6 and B12 in the recipe helps to reduce tiredness and fatigue, while the protein supports the maintenance of muscle mass. After clinical trials, *Meritene* was shown to be an effective nutritional supplement and has been recognised in several peer-reviewed journals, including *The Lancet*.

### Nestlé Skin Health

In June 2014, Nestlé Skin Health was formally established as a fully owned subsidiary, in line with our goal to expand the boundaries of Nutrition, Health and Wellness. The company is focused on meeting the world's increasing skin health needs by delivering science-based solutions for skin. The company grew out of [Galderma](#), acquired from L'Oréal in 2014, which employs more than 5 000 people worldwide, and is uniquely committed to dermatology and skin health.

### Research and Development

Research and Development is the cornerstone of our approach to skin health. We have already issued 1 800 scientific publications and filed more than 6 000 patent applications. In 2014, we filed 50 new patent applications, and conducted 101 clinical studies involving approximately 11 742 patients. More than 700 researchers in our R&D facilities and Clinical Development around the world are committed to finding innovative solutions to meet people's skin health needs.

Nestlé Skin Health's research efforts see us actively partnering with academia and institutions to further discover and find better solutions for preserving, restoring and maintaining skin to its healthy state. An example is our decades-long lead sponsorship of the Dermatology Foundation in the USA to provide support for research that helps develop and retain tomorrow's teachers and researchers in dermatology, enabling advancements in patient care.

### Engaging with the dermatology community

By partnering with healthcare professionals and institutions around the world, we strive to build and sustain a strong and long-lasting dermatology community. Thanks to a number of social responsibility and educational initiatives, we are contributing to growing a responsible dermatology community, which will advance medicine and improve the lives of people suffering from dermatological diseases.

Galderma supports numerous projects to improve the daily lives of children and adults suffering from chronic or life-threatening skin diseases. These include [Camp Wonder](#), a free summer camp in the USA for 7 to 16 year olds with severe skin disease, and the [Regional Dermatology Training Centre](#) in Tanzania, whose objective is to train the local medical community to prevent, as well as treat, skin disease. Galderma also supports the [Women's Dermatologic Society](#), whose mission is to support dermatologists striving to promote leadership and demonstrate a commitment of service through community outreach and volunteerism.

Galderma provides grants and donations for training programmes and continuing education courses, with a particular focus on frequently neglected or misdiagnosed skin diseases. [Euroderm Excellence](#) is an educational initiative which has gathered thousands of the best dermatology residents and renowned teachers since 2004. This unique training model has now moved to Latin America, and also Asia, where Chinaderm Excellence attracts residents from all over the Greater China region. In the USA, Galderma has sponsored the [PreBoard Seminar](#) for the last 35 years to help prepare dermatology residents for their board exams. Galderma has also supported the [American Skin Association](#) and its role in teaching schoolchildren about skin and skin health. Approximately 15 000 public schools and 3 million students have benefited from [The Skin You're In](#) educational programme.

# Responsible marketing of our products

We believe breast-milk is the best food for infants and this is why we promote exclusive breastfeeding for the first six months of life. However, there are still numerous barriers to breastfeeding. In consultation with their healthcare providers, if mothers and families decide that optimal breastfeeding is not possible, infant formula – the only suitable breast-milk substitute (BMS) recognised by the WHO – plays a vital role in providing essential nutrients to infants. We are committed to market BMS responsibly. We comply with the WHO Code as implemented by governments as a minimum, and apply our policy when it is stricter than the national legislations. We pledge to follow the most rigorous policies and systems to monitor our practices. As we seek to continuously improve, we encourage stakeholders to share their comments with us. In 2015, we will pursue our efforts to create a conducive environment for our employees who breast-feed. We will also continue to engage with key stakeholders to increase collaboration, promote responsible conduct and establish an accepted standard for assessing BMS commercialisation.

## Responsible marketing of breast-milk substitutes

### Our commitment



Market breast-milk substitutes responsibly

### Our objectives

**By 2015** – Continue to strengthen our practices to ensure both Nestlé Infant Nutrition and Wyeth Infant Nutrition consistently meet the FTSE4Good Index BMS criteria.

**Ongoing** – As part of our ongoing efforts to promote good nutrition in the first 1 000 days of life and support breastfeeding, report publicly on our progress regarding the responsible marketing of breast-milk substitutes.

Nestlé has a global commitment to market breast-milk substitutes responsibly. We comply with the WHO International Code of Marketing of Breast-milk Substitutes (WHO Code) as implemented by national governments everywhere in the world. The WHO Code is a set of recommendations to member states, which hold responsibility for defining the Code's implementation at the country level. We have been independently recognised as having robust systems in place to responsibly market breast-milk substitutes. We have implemented stringent Code compliance policies and procedures through the Nestlé Policy and Instructions for Implementation of the WHO Code (Nestlé Policy).

In 152 countries, which are considered to be higher risk in terms of infant mortality and malnutrition by the FTSE4Good Index, we apply our own Nestlé Policy when it is stricter than the national legislations implementing the WHO Code. This is necessary because many 'higher-risk' countries have not implemented the WHO Code<sup>43</sup>. As a minimum in these countries, Nestlé:

- Does not advertise infant and follow-on formula (for babies under 12 months of age);
- Does not market complementary foods for infants younger than six months;
- Gives no incentives to health workers for promoting Nestlé products;
- Does not donate free infant formula to healthcare facilities for use by healthy new-born babies, nor free samples to mothers;
- Does not use pictures of babies on infant formula packs;
- Develops product labels in the relevant local languages which state that breast-milk is best for babies;
- Presents preparation instructions graphically and warns mothers of the consequences of incorrect or inappropriate use of infant formula; and
- Takes disciplinary measures against any Nestlé personnel who deliberately violate this policy.

We invest substantial resources to ensure our marketing practices comply with the aim and principles established by the WHO Code. Our actions rely on five key pillars: compliance, good governance, transparency, constructive engagement and continuous improvement.

We also actively encourage breastfeeding by employees in our own facilities. We offer parents work-based support, including crèches at 10 head office locations and breastfeeding rooms at 192 sites around the world, also providing parents with the opportunity of working flexibly on their return to full-time employment. For more information, please see [Our people](#).

<sup>43</sup> According to a [report](#) by the WHO, only 37 out of 199 member states had passed laws reflecting all its recommendations and subsequent resolutions as of 2011.



### Super Babies 'rap' the benefits of breastfeeding in India

During Breastfeeding Week in August 2014, Nestlé India launched a social media campaign to reinforce the importance of breastfeeding. Featuring the animated, rapping Super Babies, the 2014 campaign aimed to go beyond the half a million pledges generated the previous year, by taking public support and converting it into an action through discussions on the benefits of breastfeeding and involving the public at large. By the end of 2014, the Super Babies video had been watched more than two million times.

## Compliance

Our policies and practices are verified and validated by independent third parties, as well as internal auditors. We have three key mechanisms to verify compliance with our policies, national regulations implementing the WHO Code, and the FTSE4Good breast-milk substitute marketing criteria: internal corporate audits; external audits carried out by Bureau Veritas; and FTSE4Good's independent verification process of the FTSE4Good breast-milk substitute marketing criteria. In 2014, our practices were audited in 39 countries by internal auditors and in four by external auditors – two by Bureau Veritas in Kenya and Russia and two by PricewaterhouseCoopers in Malaysia and Angola.

The auditing practices are complemented by the availability of internal and external grievance mechanisms (Nestlé Ombudsman System, Integrity Reporting System and the Tell Us system), which enable Nestlé employees and external stakeholders to report any allegation of non-compliance. In 2014, 29 contraventions of the [Nestlé Policy and Instructions for Implementation of the WHO Code were revealed through audits](#)<sup>44</sup>.

### Internal corporate audits

We conduct rigorous internal audits to ensure we comply with the [Nestlé Policy and Instructions for Implementation of the WHO Code](#), and with national regulations implementing the WHO Code, across our operations. In 2014, corporate auditors verified our practices in 39 different countries.

Annual Code compliance reports are available [here](#).

### Bureau Veritas

Our marketing of breast-milk substitutes is audited in two to three countries per year by Bureau Veritas – one of the world's leading verification and auditing firms. In 2014, Bureau Veritas conducted independent audits in Kenya and Russia. A third audit that had originally been planned for 2014 was transferred to the beginning of 2015 due to operational reasons. The Bureau Veritas Assurance Statements can be found [here](#).

### FTSE4Good criteria on the responsible marketing of breast-milk substitutes

Since 2011, we are the only infant formula manufacturer to be included in FTSE4Good Index – the responsible investment index of the FTSE Group, a world leader in the provision of global index and analytical solutions. FTSE4Good is the only index that has developed clear criteria on the responsible marketing of breast-milk substitutes (BMS). BMS manufacturers included in the index must undergo external verification of their practices in two countries every 18 months.

In 2014, PricewaterhouseCoopers (PwC) carried out, on behalf of FTSE4Good, an independent verification of our compliance with the FTSE4Good breast-milk substitutes marketing criteria in two higher-risk countries<sup>45</sup> – Malaysia and Angola. We invite all interested parties to [consult these reports](#), which are public, as evidence of our commitment to transparency and continuous improvement in our practices.

One of our key objectives is to maintain our inclusion in the FTSE4Good Index.

### Training our employees

It is crucial that our people working in infant nutrition fully understand the importance of complying with our Policy and Instructions for Implementation of the WHO Code. In 2014, we have trained close to 8 000 personnel involved in the marketing of breast-milk substitutes. In 2014, existing training efforts (which cover 100% of our staff involved in the marketing of infant formula in higher-risk countries) have been further complemented by the roll-out of global online training modules on the fundamentals of breastfeeding and the WHO Code. By the end of December 2014, 7886 Nestlé Nutrition employees have been reached by the initiative.

In higher-risk markets, we implement a series of measures in line with our Nestlé Policy on the WHO Code. For instance, we do not provide incentives to our marketing staff based on the sales volumes of breast-milk substitutes. We regularly test employees on their knowledge of national legislation pertaining to the marketing of BMS, as well as on our Nestlé Policy on the WHO Code. We also take knowledge of our WHO Code policy and compliance into account when evaluating individual employee performance. Deliberate or serious violations of our policies lead to disciplinary action, including termination of employment.

<sup>44</sup> Based on internal and external audits. Internal audits are conducted by auditors based at Nestlé Headquarters (as part of the Nestlé Group Audit) and country-based auditors (Nestlé Market Audit). This is the first year where we are reporting on country-based audits. External audits were conducted by Bureau Veritas.

<sup>45</sup> Countries are considered higher risk if the mortality rate of children under five is more than 10 per 1 000, or if the level of acute malnutrition in under-fives is higher than 2%.

## Marketing communications G4-DMA, Compliance G4-DMA (Product responsibility)

## Training distributors and third-party suppliers, and informing retailers

We do our utmost to ensure that third parties, such as our numerous retailers and distributors, comply with our Policy and Instructions for Implementation of the WHO Code. There are a number of challenges in this area, including reaching out to the high number of distribution points, which are often small outlets with whom we have no direct relationship. We must also comply with antitrust and commercial legislation, which limits a manufacturer's ability to impose business practices on third-parties. To address these challenges, we invest significant resources to make third-party retailers fully aware of the importance of complying with our Policy and Instructions for Implementation of the WHO Code, and annual reminders to the trade. Our work has included:

- Adding a clause to all formal agreements and contracts with third parties stating that, in higher-risk countries, sales of Nestlé breast-milk substitute products should comply with the legislation regarding the marketing of BMS or the Nestlé Policy and Instructions for Implementation of the WHO Code when this is stricter;
- Developing guidelines on compliance with the Nestlé Policy and Instructions for Implementation of the WHO Code and issuing them to distributors and retailers;
- Encouraging our distributors and customers to share our guidelines with their clients;
- Training our distributors on our Policy and Instructions for Implementation of the WHO Code; and
- Informing retailers of our requirements related to compliance with the Nestlé Policy and Instructions for Implementation of the WHO Code.

## Aligning Wyeth Nutrition marketing practices

## Our objective

**By 2014** – Ensure our newly acquired Wyeth Nutrition Infant Formula business meets the FTSE4Good Index BMS criteria.

In 2014, we ensured the full alignment of our newly acquired Wyeth Nutrition Infant Formula business with the FTSE4Good Index Breast-milk Substitute criteria and our Nestlé Policy and Instructions for Implementation of the WHO Code. This required the deployment of changes to our business practices in all relevant higher-risk countries. In each of the 50 higher-risk countries where Wyeth Infant Nutrition operates, we set up a cross-functional dedicated integration task force committed to ensuring compliance with our standards to market breast-milk substitutes responsibly. In addition, five regional training sessions were conducted worldwide by our global compliance team, covering more than 130 core management members, who in turn trained staff and third parties involved in breast-milk substitutes marketing (including distributors and marketing agencies). These regional training activities were further complemented by locally driven training sessions held in all countries at a later stage.

Nestle has suspended sales of Wyeth Infant Nutrition infant formula in five African countries (namely Somalia, Sierra Leone, Liberia, Sudan and South Sudan) as Nestle could not ascertain whether the distributors would be able to comply the policy.

## Verifying our alignment

Numerous internal and external assessments were conducted to ensure that the practices of our Wyeth Infant Nutrition business were fully compliant with the FTSE4Good BMS criteria and our Policy and Instructions for Implementation of the WHO Code. Nestlé internal corporate auditors performed verification exercises in all higher-risk countries. Bureau Veritas externally assessed our practices in Thailand, Indonesia, the Philippines, China, Saudi Arabia, Kenya and Oman. PricewaterhouseCoopers, on behalf of FTSE4Good, assessed Wyeth Infant Nutrition practices in Malaysia.

## Performance

Among the most significant changes in higher-risk markets identified as a result of the alignment were:

- No advertising of infant formula products (for babies under 12 months of age);
- Changing product labels alignment to be compliant with Nestlé mandatory label elements;
- Introduction of systematic training for employees on Nestlé Policy and Instructions for Implementation of the WHO Code and the FTSE4Good BMS criteria;
- Amendment of third-party contracts (e.g. distributors, agents) to include a clause on compliance with our Nestlé Policy on the WHO Code;
- No free supplies to healthcare facilities of infant formula for use by healthy new-born babies or free samples to mothers;
- The implementation of a WHO Code Management System in all countries where Wyeth Infant Nutrition is present; and
- WHO Code Compliance Managers and WHO Code Ombudsmen were appointed to cover Wyeth Infant Nutrition businesses.

## Good Governance

We have extensive management systems to ensure all our high-risk operations comply with national regulations implementing the WHO Code, our own stringent policies and instructions on the implementation of the WHO Code, and the FTSE4Good's BMS criteria.

Our governance mechanisms include a high-level corporate Code Compliance Committee to oversee compliance with our internal policies and instructions and national regulations implementing the WHO Code, as well as with FTSE4Good BMS marketing criteria.

Nestlé Nutrition CEO Heiko Schipper, who is a member of our Group Executive Board, is accountable for implementing and monitoring Nestlé's compliance with the aim and principles of the WHO Code. Global Public Affairs, which is separate from the infant nutrition business, generates policies and reports externally on progress regarding the application of the Policy.



## Marketing communications G4-DMA, Compliance G4-DMA (Product responsibility)

## Addressing stakeholder concerns

We recognise the importance of responding to questions consumers and other stakeholders may have about infant food and breast-milk substitutes. Internal and external grievance mechanisms to report concerns include:

- **WHO Code Ombudsman System:** We encourage our employees to contact us if they have any questions or concerns regarding the marketing of our BMS products. Our strengthened internal WHO Code Ombudsman System, which we launched in 2001, allows employees in higher-risk countries to report concerns about our infant food marketing practices confidentially, outside their line management. Any employee can report allegations or concerns about Code compliance directly to the Group Ombudsman. In 2014, Nestlé had 60 active WHO Code Ombudsmen;
- **Nestlé Integrity Reporting System:** This approach is supported more widely by the Nestlé Integrity Reporting System, which enables all employees to anonymously report any non-compliant behaviour they observe (see [Managing compliance](#)); and
- **Tell Us system:** We investigate all concerns and allegations about non-compliance with the Nestlé Policy and/or national regulations implementing the WHO Code. Our Tell Us system, launched in January 2014, provides all external stakeholders with a means to report potential violations via the internet or by toll-free line (see [Human rights and compliance](#)).

## Continuous improvement

## Strengthening our policies

In 2014:

- We elaborated a new global Policy on Donations and Low-Cost Supplies of Breast-milk Substitutes for use in Emergencies, in line with the key recommendations of the WHO Guiding Principles for Feeding Infants and Young Children During Emergencies;
- We are finalising the revision of the Guidelines for Donations and Low-Cost Supplies of Breast-milk Substitutes for Social Purposes; and
- We developed new Guidelines for Sponsorship of Health Workers and Institutions for Professional Development and Scientific Research.

## Strengthening our practices

Inclusion in the FTSE4Good Index is an essential component of strengthening our commitment to market breast-milk substitutes responsibly, while the criteria raise the marketing standards of the breast-milk substitute manufacturing industry as a whole. Since our initial inclusion in 2011, the criteria have allowed us to positively enhance our monitoring system. Examples of this include:

- Enhancing the transparency of our Compliance Management System;
- Applying a more systematic approach to compliance with our policies and procedures relative to the responsible marketing of breast-milk substitutes; and
- Improving clarity regarding the application of the WHO Code in 152 higher-risk countries.

The FTSE4Good process has also led to significant improvements in our operations at country level, and following the recommendations from the 2011 and 2012 assessments we have introduced several key initiatives in higher-risk countries:

- We have introduced strict placement and signage guidelines to ensure display cabinets are used appropriately in pharmacies and other dedicated retail outlets. We have voluntarily removed all display cabinets that do not conform to these guidelines as well as those in countries where we do not have appointed distributors or Nestlé operational set-ups;
- We have strengthened our internal and external reporting mechanisms so that any concerns about Nestlé's marketing of breast-milk substitutes can be raised with us directly. This improves our ability to investigate – and if necessary address – any violations;
- We established Code Compliance Committees in all of our higher-risk Markets and implemented an internal whistle-blowing system;
- We frequently remind our employees that they are able to raise any concerns regarding the marketing of breast-milk substitutes through our internal WHO Code Ombudsman System, and external stakeholders are invited to report any concerns directly through the Tell Us website; and
- Compliance is one of the highest priorities for our company, which is why we've strengthened the internal reporting mechanism between our markets and the corporate headquarters. The results of our internal compliance monitoring are reported annually to our Board of Directors.

## Transparency

Our compliance with the [Nestlé Policy and Instructions for Implementation of the WHO Code](#), national regulations implementing the WHO Code, as well as the FTSE4Good's BMS criteria, can be measured through the Annual External Report as well as the verification reports produced by Bureau Veritas and PwC, which we publish online, as evidence of our commitment to transparency.

We are committed to making our positions on maternal, infant and young child nutrition publicly available:

- [Position statement on WHO maternal, infant and young child nutrition \(MIYCN\) implementation plan 2012](#)
- [Position statement on promoting health through the life course 2013](#)
- [Position statement on WHO reform: Governance reforms engagement with NGOs 2013](#)

**Company website:** Our website features an FAQ page where we address questions such as '[Why does Nestlé support breastfeeding?](#)', '[How has Nestlé changed its marketing practices since the Code was adopted?](#)' and '[What is FTSE4Good?](#)'.

We encourage stakeholders and the general public to tell us of any concerns or allegations around marketing of breast-milk substitutes through our [Compliance Reporting System](#). We make public the responses to concerns raised directly with us.



## Engaging constructively with Stakeholders

We believe that effective cooperation between all key stakeholders, including governments, industry and civil society organisations, is necessary to ensure the responsible marketing of breast-milk substitutes. Whenever we engage with our stakeholders we follow the [Nestlé Policy on transparent interaction with authorities and organisations](#).

It is our hope that all concerned stakeholders can come together to establish a widely accepted and transparent process for the assessment of industry-wide marketing practices of breast-milk substitutes and as a means to raise industry standards.

### NGOs

Through our annual stakeholder meetings, we seek constructive dialogue with a variety of NGOs and interest groups on the topic of maternal, infant and young child nutrition.

We also aim to work constructively with concerned stakeholders. We are hopeful that a fact-based and constructive dialogue, which keeps the health of children at the centre of the discussion, will help us to achieve our goal of contributing to the optimal health and nutrition of mothers, infants and young children.

### Collaboration with other infant food manufacturers

Nestlé is a member of different national and regional associations around the world dedicated to specialised nutrition in the countries where they operate. Some of these associations are members of the [International Special Dietary Foods Industries \(ISDI\)](#), which promotes high standards in the production and trade of special dietary foods. We are active in ISDI since its foundation through such associations' memberships.

### Governments and international organisations

We work with national and international health organisations that support the aim and principles of the WHO Code. We also collaborate in the development of robust and widely accepted methodologies that will independently and transparently assess the marketing practices of BMS manufacturers, and engage to develop balanced, science-based public health policies that support the aim and principles of the WHO Code.

We aim to:

- Encourage detailed research and development into infant and young child nutrition;
- Help increase public awareness of sound infant feeding practices;
- Promote balanced legislation and science-based regulation at national, regional and international level; and
- Provide constructive comments to further improve and align methodologies to assess the marketing practices of breast-milk substitutes.

## Responsible marketing to children

As a leading food manufacturer and Nutrition, Health and Wellness company, we must ensure that all Nestlé products are packaged and sold responsibly. We strive to achieve this aim through the active application of principles and policies in the countries where we work.

### Our commitment



**Ensure responsible marketing communication to children**

Since we established our Corporate Communication Principles in 2002, and introduced the Marketing to Children Policy in 2008, we have ensured global compliance to responsible advertising and marketing to children. We abide by external pledges that provide standards for marketing to children, such as [IFBA](#), [EU Pledge](#) and regional pledges. In 2014, 97.2% (2013: 98.3%) of Nestlé television advertising to children under 12 was in compliance with policies on responsible marketing<sup>46</sup>.

### Our objective

**By 2015** – Implement a strengthened Policy on Marketing Communication to Children.

To respond to an ever-changing world and in order to meet our stakeholders' expectations, we have enhanced our Marketing Communication to Children Policy and decided to make it [publicly available](#). Our new policy states that we do not direct marketing communications to children from birth to six years of age. From December 2015, when directing marketing communication to children from six to 12 years old, this can only be with products that achieve the [EU Pledge Nutrition Criteria](#) or the [Nestlé Nutritional Foundation criteria](#) where no criteria have been adapted under the EU Pledge criteria. Irrespective of the nutrition criteria being met, however, we do not direct marketing communication of biscuits, sugar and chocolate confectionery products to children below 12 years of age.

Our policy has always deemed any marketing communication as directed to children below 12 if 35% or more of the channel's audience is of that age group. We recognise that audience data may not be available for all channels, so in the new policy we developed a qualitative set of criteria to define the 'appeal' of marketing communications to children under 12. The use of licensed characters, celebrities or the use of games appealing to children under 12 for products not meeting the nutritional criteria is therefore not allowed.

<sup>46</sup> The percentage reflects Nestlé's full-year compliance to the stricter 35% children audience threshold as redefined in September 2011.

## Marketing communications G4-DMA, G4-PR7, Compliance G4-DMA (Product responsibility)

The new [Nestlé Marketing Communication to Children Policy](#) covers a significantly broader set of media channels. It applies to all paid and unpaid marketing communication including television, radio, print, cinema, digital media, internet, mobile, games, Consumer Relationship Marketing, viral marketing, apps, emails/SMS, Nestlé-owned websites, movie tie-ins, promotions, premiums, contests, sponsorship, events and sampling.

To ensure consistent and effective implementation across Nestlé, detailed internal Implementation Guidelines have been developed.

### Enforcing our principles

Unless effectively applied, principles and policies are meaningless. Our [Consumer Communication Principles](#) and [Marketing Communication to Children Policy](#) have been defined with this in mind. They contain the following points:

#### Internal

- Guidelines on:
  - Restrictions for advertising products that do not fulfil EU Pledge Nutrition Criteria, other regionally agreed pledges or Nestlé Nutritional Foundation criteria;
  - How to brief our advertising and media agencies; and
  - The conditions to meet if we sponsor an event.
- A marketing monitoring system that reports annually on all television, print, digital and school event marketing to our internal audit group, which flags any non-compliance situations directly to the Executive Board.

#### External

- The International Food and Beverage Alliance (IFBA) pledge is monitored by Accenture and covers TV, print and online advertising, and company-owned websites (including corporate and brand-owned websites) aimed at children under 12 years;
- Monitoring of the EU Pledge by Accenture (TV, print, online), the independent research consultancy BDRC (schools), and the European Advertising Standards Alliance (company-owned websites); and
- National Pledge signatories are required to monitor and report on commitments in a transparent and accountable manner. Ideally independent compliance monitoring of the local pledge should be commissioned and results reported.

Packaging is excluded from the scope of the Policy. In our view, the primary role of packaging as a medium for conveying brand communications is at point of sale, where purchasing decisions are usually made by adult consumers. It is for this reason that packaging is not generally covered in voluntary industry commitments for responsible food marketing to children and in our policy.

Complaints are handled via [Tell Us](#) on the Nestlé website. Tell Us is a formal mechanism for receiving, processing, investigating and responding to complaints from customers and the general public about our policies and practices. Any complaint from customers and the general public, including children, about content and visuals relating to children will be received, processed, investigated and responded to.

### Making voluntary commitments

Our policies are guided by a series of global, regional and national commitments and pledges that aim to establish industry consensus on minimum standards for marketing to children.

#### IFBA commitment

As a member of the [IFBA](#), Nestlé is committed to comply with their Global Policy on Advertising and Marketing Communications to Children. Each year, [IFBA](#) engages a third party to monitor and report publicly on members' compliance with the Global Policy.

In 2014, the report was based on a review of 86 654 television adverts, reviewed over a three-month period across seven countries: China, Colombia, India, Malaysia, the UAE, South Africa and Turkey. Fifty-seven print publications and 103 websites were reviewed across five countries: Brazil, China, India, Singapore and South Africa. Nestlé's overall IFBA Pledge compliance rate in 2014 was 97.1% for television (2013: 98.7%)<sup>47</sup>, 100% for print (2013: 100%) and 99.03% for online (2013: 100%).

While we've been successfully tracking compliance with the 35% threshold in traditional media in previous years through internal auditing and external monitoring, we are exploring ways to measure the more subjective elements related to appeal to children.

#### National and regional pledges

National and regional pledges, based on the IFBA Global Policy, have been launched around the world to encourage food companies that are not IFBA members to improve the types of products advertised to children and promote balanced diets and healthy, active lifestyles. It will also enable the monitoring of both compliance and impact at a local level. To date, we have signed voluntary pledges on the marketing of foods to children covering more than 50 countries.

<sup>47</sup> The percentage reflects Nestlé's full-year compliance to the stricter 35% children audience threshold as redefined in September 2011.



# Rural Development

We rely on millions of farmers around the world to supply us with the agricultural raw materials we need for our products. More than 695 000 of them supply us either directly or through co-operatives and collection centres. These farmers and farm workers are essential to the ongoing success of our business, so we have a vested interest in contributing to the sustainable development of the rural areas where they work. We therefore assist farmers with agricultural support and capacity-building programmes to increase yields, crop quality and income levels. We have developed a Rural Development Framework to help us align our business activities with local priorities. We are also reaffirming our responsible sourcing commitments, guidelines, policies and standards, our supplier assessments and traceability activities, and our bespoke coffee and cocoa plans for improving the lives of farmers, the quality of their crops and their social conditions.

## The year in brief

### 2014 highlights

**376 000**

Farmers accessing training through our capacity-building programmes

**CHF 39 million**

Value of total financial services and assistance offered to around 83 600 farmers worldwide, of which CHF 32 million is direct financial assistance

**73%**

Suppliers that fully comply with the Nestlé Supplier Code

**38%**

Volume of high-priority categories of raw material that are traceable back to the primary source (e.g. plantation or farm) and/or have mapped supply chains

**28%**

Volume of high-priority categories of raw material that are Responsibly Sourced (i.e. meet our Responsible Sourcing Guideline in full)

### Challenges

#### Urban migration and ageing farming population

Rural communities need to be more attractive to live, work and invest in, and farming needs to be seen as a business and a livelihood of choice that offers opportunities for societal advancement.

#### Low productivity

Bringing about real change at a farm level provides many challenges, from checking that farmers act on our training and advice to ensuring they have access to credit.

#### Supply chain complexity

Many of our supply chains are complex, which makes tracing raw materials a challenge.

#### Child labour

In the supply chains of raw materials such as hazelnuts, children are often employed during the harvest season. This is hard to monitor and change, given the informal nature of working arrangements.

### What we are doing

#### Rural Development Framework

Having piloted it in three priority locations, the framework is now being used to establish a baseline for our rural development activities in nine countries.

#### Responsible Sourcing activities

Tier 1 audits and sub-tier assessments at a farm and plantation level have been ongoing.

#### Publication of progress reports

Throughout the year, we publish category-specific reports detailing the progress we are making in the responsible sourcing of our priority raw materials.

#### Working with the Fair Labor Association

We are working with the FLA to monitor and address incidences of child labour in our cocoa and hazelnut supply chains, and 20 cocoa co-operatives are now covered by our Child Labour Monitoring and Remediation Programme.

## In this chapter

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## Our role in rural development

It is in the field of rural development where our approach to Creating Shared Value is perhaps most evident, where the wellbeing of farmers, small-scale entrepreneurs, suppliers and rural communities is intrinsic to securing global food supplies, while delivering our own growth strategy. As a global company, we have a significant indirect economic impact across our value chain, around our factories and particularly throughout our supply chain. Our approach to managing these impacts focuses on the rural communities around the world from which we source agricultural raw materials. Millions of farmers depend on our business for their livelihoods, through a combination of our [Farmer Connect](#) (sourcing raw materials directly from farmers, co-operatives and selected traders) and procurement activities.

We understand that loyalty between farmers, suppliers and the company is supported and enhanced by investments along the value chain. This may include the provision of improved planting materials, training programmes, technical support and financing support. In this way, we help create the circumstances that allow farmers, and the communities in which they live, to pursue their livelihoods by choice.

With the boundaries between governmental roles and responsibilities and those of companies becoming increasingly blurred, we also work cooperatively with government agencies and other partners at a country level to support rural development.

In this chapter, we report on our rural development activities, including the roll-out of the Nestlé Rural Development Framework, and how our responsible sourcing activities are improving trust in the supply chains of our priority ingredients and raw materials.

### Material issues

In 2014, we engaged SustainAbility, working together with Accenture for a commercial point of view, to quantify and rank our material issues. They were mapped with regard to the degree of importance Nestlé stakeholders place on the issue in different parts of the value chain, and to where financial, operational and reputational impacts would be felt in the value chain.

Each issue is made up of a number of sub-issues, which were highlighted during the research process. The consultancy used the sub-issues as a lens, to define the scope of analysis. In this section, we have provided a synthesis of the findings related to Rural Development. [Read more here.](#)

In 2014, five material issues fell under the banner of rural development and responsible sourcing that were rated as being of concern to our stakeholders and of strategic importance to our business: **rural development, traceability, farm animal health and welfare, community development and under-nutrition, and women's empowerment.**

These issues are critical to our responsible sourcing of agricultural raw materials and our stakeholders expect us to meet the highest standards of farm animal welfare and traceability. Our stakeholders also expect us to ensure that ingredients have been grown and processed responsibly and can be traced back to origin. They see work on rural development as important to improving livelihoods and promoting sustainable agricultural communities.

Traceability has been reframed from 'sourcing and traceability' in the 2013 matrix. Women's empowerment has also been reframed since last year to reflect Nestlé's efforts in empowering women farmers.

 **See also:** [Human rights and compliance](#)

MATERIALITY ISSUE	VALUE CHAIN				
	KEY:  Moderate  Significant  Major				
	 Agriculture	 Tier 1 Suppliers	 Nestlé	 Retail/ Business Channels	 Consumers
<b>Rural development</b>					
Directly and indirectly promoting economic activity and improving livelihoods of agricultural workers in the supply chain to promote sustainable agricultural communities.					
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Rural living wage:</b> Ensuring farmers and agricultural workers are paid enough to maintain a decent standard of living, adequately covering the costs of food, shelter, and other necessities for oneself and one's family.</li> </ul>					
<b>Traceability</b>					
Ensuring that priority ingredients have been grown and processed responsibly and can be traced back to origin where possible.					
<b>Animal welfare</b>					
Safeguarding the well-being of animals in the supply chain and promoting farm animal health and welfare.					
<b>Women's empowerment*</b>					
Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community.					
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Women farmers:</b> Protecting the rights of women in the agricultural labour force and improving their access to and ownership of agricultural resources and inputs.</li> </ul>					
<b>Community development and unemployment*</b>					
Improving people's lives through community and societal participation and improving access to employment, education and skills development.					
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Community relations:</b> Positively engaging with communities in areas of operation.</li> <li>• <b>Income and wealth inequality:</b> Working to close the gap in the distribution of income, wealth and assets.</li> <li>• <b>Living wage:</b> Ensuring those in work are paid enough to maintain a decent standard of living, adequately covering the costs of food, shelter, and other necessities for oneself and one's family.</li> <li>• <b>Youth unemployment:</b> Tackling the number of young people not in employment, education or training.</li> </ul>					

\* These issues have sub issues that are shared across Rural Development and Our People



G4-26, G4-27, Indirect economic impacts G4-DMA, Procurement practices G4-DMA, Child labor G4-DMA, Forced or compulsory labor G4-DMA, Supplier human rights assessment G4-DMA, Local communities G4-DMA, G4-SO1, G4-SO2, Animal welfare G4-DMA

## Our commitments

The public commitments Nestlé introduced in 2012 reflect the material issues of our business and enable stakeholders to challenge us about our performance and how we address the issues we face. Our commitments in the area of rural development and responsible sourcing are:

- [Roll out the Rural Development Framework to understand the needs of farmers;](#)
- [Implement responsible sourcing in our supply chain;](#)
- [Roll out the Nescafé Plan with coffee farmers;](#) and
- [Roll out the Nestlé Cocoa Plan with cocoa farmers.](#)

We have translated our formal commitments into a number of operational priorities and use key performance indicators to track our impacts on farmer net income, women's empowerment, labour standards, nutrition, water and sanitation.

## Governance and management systems

Strategic responsibility for Nestlé's rural development activities lies with José Lopez, our Executive Vice-President of Operations, while final accountability rests with the Executive Board and the CEO.

The operational strategy for rural development is chiefly delivered by the Corporate Agriculture team, through its network of sourcing staff and extension workers in the supply chain.

Each business unit takes overall responsibility for local rural development activities in its own areas, using the Rural Development Framework to help inform where interventions are needed.

## Our policies and standards

Rural development is one of three priority areas for our business. It is highlighted in [Nestlé's Corporate Business Principles](#), which lay the foundations for everything we do.

The relevant principle states:



"We contribute to improvements in agricultural production, the social and economic status of farmers, rural communities and in production systems to make them more environmentally sustainable."

### Nestlé's Corporate Business Principles

Our ambitions to support rural development are set out in the [Nestlé Commitment on Rural Development](#), and are consistent with the [Millennium Development Goals](#) on poverty and hunger, nutrition, education, gender equality and environmental sustainability.

To maintain best practice, our teams are guided by a series of policies, procedures and documents, including:

- [Nestlé Rural Development Framework;](#)
- [The Nestlé Supplier Code;](#)
- [Nestlé's Responsible Sourcing Guideline;](#)
- [The Nestlé Commitment on Rural Development;](#)
- [The Nestlé Commitment on Natural Capital;](#)

- [Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin;](#)
- [The Nestlé Commitment on Farm Animal Welfare;](#)
- [The Nestlé Commitment on Land & Land Rights in Agricultural Supply Chains;](#) and
- [The Nestlé Commitment on Child Labour in Agricultural Supply Chains.](#)

## Engagement and collaboration

While remaining focused on delivering our rural development agenda, we need to engage with [stakeholder groups](#) to foster a supportive policy environment so that we can make progress towards our commitments.

Our employees work with many external partners in rural areas to deliver development activities, depending on the particular set of skills and knowledge that is needed. Strong partnerships with governments are particularly important as they set the regulatory framework, and provide the goods and services to support rural development. We increasingly recognise the need to work closely with them to share knowledge and gain understanding, particularly at a technical level.

For example, we have:

- Set up the *Nespresso* AAA [Farmer Future Program](#), an initiative to broaden the AAA Program's social scope beyond farm level and enhance farmer welfare, thanks to the creation of a retirement fund. The first pilot was launched in March 2014 in the Caldas region of Colombia, thanks to a public-private partnership between *Nespresso*, [Fairtrade International](#), our supplier Cafexport/Expocafe and coffee co-operatives. This initiative leverages the national retirement scheme, [Beneficios Económicos Periódicos \(BEPs\)](#), developed by the Colombian Ministry of Labour, to reach Colombian workers whose income does not allow them to contribute to a pension in their old age;
- Supported the development of the United Nations Global Compact's (UNGC) voluntary [Food and Agriculture Business Principles \(FABs\)](#) by chairing the steering group and participating in the meetings to develop them. This process has aligned business and governmental priorities on sustainable agriculture and food security;
- Engaged in the [IDH Sustainable Coffee Program \(SCP\)](#), a public-private consortium of coffee industry representatives, trade and export partners, civil society organisations, governments and standards bodies that aims to address under-investment, poor production practices and adverse climatic conditions in a pre-competitive manner. By aligning efforts, knowledge, standards and financial instruments, the SCP is helping to develop country-specific approaches to sustainable coffee production, and to help millions of coffee farmers become more resilient;
- Co-founded the [Partnership for Indonesia Sustainable Agriculture \(PISAgro\)](#), a public-private partnership established by the Government of Indonesia, along with business and civil society stakeholders; and
- Co-founded the [World Economic Forum's \(WEF\) New Vision for Agriculture](#). The partnership works to achieve goals around food security, economic opportunity and environmental sustainability in Indonesia and the region.

# Rural development

We support the sustainable development of the rural communities where we source and manufacture because they are essential to our business. Our contribution to the rural economy also extends to the agricultural support and capacity-building farmer programmes we provide to our direct suppliers. Our facilities also bring direct employment opportunities, greater access to our products for local consumers, and other indirect economic benefits.

## The Rural Development Framework

### Our commitment



**Roll out the Rural Development Framework to understand the needs of farmers**

### Our objective

**By 2015** – Continue to establish baseline assessments in the countries of key importance to our business that show pronounced social need to guide us in aligning our own activities with the priorities of local communities.

We designed our Rural Development Framework at the end of 2012, with the assistance of the [Danish Institute for Human Rights](#), [Solidaridad](#), the [Fair Labor Association](#) and the [Rainforest Alliance](#). It blends both a development and a societal approach to the challenges faced in rural areas, with a focus on three distinct but connected groups:

1. [Successful farmers](#): Farmers are business orientated and farming by choice;
2. [Productive and respected workers](#): Rural-based employment is attractive for workers; and
3. [Prospering communities](#): Rural areas are attractive places to live, work and invest in.

The framework is designed to:

- Deliver a consistent approach and ambition to our rural development activities, ensuring that we address global development priorities but retain the flexibility to address locally relevant issues;
- Align activities on the ground with business and societal priorities;
- Create shared value at a country level based upon identified gaps; and
- Provide a credible process that can measure progress, and align and collaborate with governments and other organisations.

Many of our rural development activities, such as the [Sustainable Agriculture Initiative at Nestlé \(SAIN\)](#) within the [Farmer Connect](#) programme, have been in existence for some time. The introduction of the Rural Development Framework now provides a more systematic methodology and better identification of intervention areas.

Although the framework initially focused on the direct suppliers within Farmer Connect, it now recognises the significant role of our trade partners, through whom Nestlé buys the majority of its [agricultural raw materials](#), and can be implemented by them.

### Focus areas for rural development

We have identified eight core areas that we believe are important elements of successful rural development. We realise that these are not the only ones, but they are where we believe that Nestlé (directly or through partners) can make the biggest positive contribution to rural development.

Our response to each situation will be made on a case-by-case basis, in conjunction with the communities, farmers, workers, governments and other partners, and may include one, some, or all of the core areas listed below. We are currently gathering data to better understand existing conditions and to design appropriate interventions that can improve the situation where scores are critical.

### Core areas

- **Farmer net income**: Increase net income by helping to improve productivity and crop quality, and reduce the costs of production, making farming attractive for the next generation.
- **Farmer knowledge and skills**: Drive the uptake of knowledge from training and the application of new skills to improve productivity, trading relations, cost control and farm management.
- **Labour standards**: Improve the working conditions and wage rates of the farm workers who provide both permanent and casual or migrant labour, primarily in the harvesting season.
- **Women's empowerment**: Facilitate an enhanced role of women in society and the family through access to services (such as training, finance, land); tasks undertaken by female farm workers; and independent income.
- **Clean water and sanitation**: Help to provide clean water and improved sanitation to priority communities where we source agricultural raw materials.
- **Nutrition and health**: Improve the nutrition and health of farming communities, especially by reducing food shortages and improving diets.
- **Property rights**: Improve security of titles to the land for farmers and especially for women.
- **Natural resource stewardship**: We are focusing upon water, deforestation, soil management and biodiversity, and the need for collective action at community and landscape levels.

## Pilot study and agreed approach

In 2013, we applied the Nestlé Rural Development Framework to assess the status of farmers, farm workers and the communities that we are sourcing from. This diagnostic tool enables us to identify gaps in key livelihood outcomes and to communicate progress in rural development. Pilot assessments were established within Farmer Connect markets in three countries to develop the methodology: our coffee programme in China and Vietnam, and our coffee, cocoa and cassava procurement in Côte d'Ivoire.

Some common findings across the baseline assessments of farmers and their communities in all three pilot countries, outlined in an [update published in July 2014](#), include poor or variable access to clean water and sanitation, and to adequate nutrition. In addition, natural resources stewardship is ranked low, due to unregulated expansion of crops into forested areas, poor soil management and polluted water sources. In some cases, issues concerning the security of land tenure, the status of women, and the knowledge of farmers and workers about agronomy practices were also raised.

Having presented our findings to a range of stakeholders, their feedback has helped us develop the framework further. Our approach going forward will involve four steps:

- 1. Regional briefing:** Desk research on publicly available data, resulting in a report with general indicators at a national level;
- 2. Situation analysis:** Field workshop on livelihood zone mapping in sourcing areas, followed by focus group discussions, the identification of critical issues and verification of results by local stakeholders;
- 3. Baseline assessment:** A field survey is conducted, usually by a local third party, to collect information not available through secondary data sources; and
- 4. Data analysis and prioritisation:** Analysis and interpretation of data, and identification of focus areas.

## Adjusting and rolling out the approach

During 2014, we adjusted the approach and began to roll out the Framework to a second wave of coffee-sourcing countries: Mexico, Colombia, Kenya, Ethiopia, Indonesia and the Philippines.

We consulted on our approach with a variety of outside organisations and partners, receiving valuable feedback (read a [summary of the stakeholder views](#) obtained from our human rights and rural development stakeholder roundtable held in London in April 2014). We have also shared the outcomes from our work in Côte d'Ivoire with a number of organisations, including Mars, IFC, Ecom, IDH and Starbucks, under the auspices of the [Sustainable Food Lab](#) and with the support of the IFC. This work provided valuable learning on indicators and data gathering as well as providing a deeper, more aligned understanding of the situation across a broader area of cocoa cultivation in Côte d'Ivoire. The work was documented for partners and provided to [CocoaAction](#), an industry-led initiative in West Africa. We are also using what we learnt to guide the further development of the Rural Development Framework.

Making rural areas attractive places to live, work and invest in does not just depend upon work along our supply chains. Rural populations also need access to clean energy, banking and finance, healthcare, infrastructure and communication. We have been working with the World Business Council for Sustainable Development (WBCSD) and its member companies to explore how different sectors can come together to align their investments in rural areas, to scale up the collective impact. Although the work is in its early days, we are encouraged by the discussions that are now occurring, both among WBCSD companies and other supporting organisations.

## Next steps

Once we have established a baseline assessment, we are able to develop a needs-based work plan and monitor our progress over time.

We intend to publish our findings, priority issues and progress in addressing them, some of which has already been incorporated into country business plans; however, others require further discussions with partners, communities and government agencies to align our efforts and avoid duplication.

With the experience gained, we anticipate being able to define new mid-term (2018) targets during 2015. We also anticipate working collaboratively with other companies and governments to develop an aligned understanding of the status of the countries and communities that we source from.

## Framework focus area: Successful farmers

Our company has grown, in large part, as a result of the way we have connected with farmers since Nestlé was established almost 150 years ago. The success and wellbeing of farmers is in our interest and key to our business, as we need to maintain a secure, long-term supply of ingredients for our food and beverage products. Of particular importance are the thousands of dairy, cocoa and coffee farmers from whom we purchase directly.

As more people than ever move away to urban areas, we are facing an ageing global farming population. We would like to see rural areas that are attractive to live, work and invest in, so we put the farmer at the centre of what we do, by supporting farming as a business and as a livelihood of choice that offers an attractive income and opportunities for societal advancement. We want to help attract the brightest and best talent within farming communities, and through our agripreneurship model, we are working towards our own training pipeline for farmers who wish to develop their skills.

We interact directly with approximately 695 000 farmers through our Farmer Connect programme and other sustainable sourcing programmes.



Our initial set of findings provide a snapshot of some challenging situations on the ground. We believe that responsibility for the status of some of the issues should not be ascribed to any particular stakeholder. Nestlé needs to work with governments, communities and other companies to develop solutions and actions based upon the different roles that we can each play. From a Nestlé perspective, we still need to define clearly what we can and can't do."

**Duncan Pollard, Head of Stakeholder Engagement in Sustainability, Nestlé**

### Farmer Connect

The Farmer Connect programme is committed to the local sourcing of raw materials, by purchasing goods directly from farmers, co-operatives or selected, trusted traders.

Through our Sustainable Agriculture Initiative at Nestlé (SAIN) – part of Farmer Connect – we promote good agricultural practices and standards, offering technical assistance, in-kind and financial support. Our approach helps farmers to produce more, sell their crops and earn a greater income, so that they can support their families and grow their businesses. At the same time, it contributes by ensuring cooperation and meeting the highest sourcing standards.

#### What is SAIN?

SAIN is a company-wide initiative to optimise the supply chain from farm to factory, improve efficiency, risk management and support sustainable development in agriculture. It focuses on raw material sourcing where we have direct contact with farmers as well as long-term business relations with traders or primary processors.

Through SAIN and other integrated corporate programmes, we share best agricultural and sourcing practices and optimise value sharing with suppliers. The objective of SAIN is to increase our business performance and to produce safe and high-quality food products.

#### Direct sourcing staff

<b>2014</b>	<b>1 290</b>
2013	1 200
2012	1 180

#### Supply chain support staff

<b>2014</b>	<b>12 100</b>
2013	11 400
2012	12 000

For Nestlé, Farmer Connect helps to ensure high-quality supply coupled with traceability back to farm level, and enables us to engage with farmers so that we can develop a supply chain that meets our social, environmental and ethical requirements. And for farmers, Farmer Connect helps towards establishing consistent and fair pricing, improved yields and reduced impacts on the environment.

For example, in Brazil, we used to source fresh vegetables for baby food and culinary lines at our São José do Rio Pardo factory from distant industrial suppliers, but the frequent delays, quality issues, price fluctuations and a lack of traceability led to the development of a long-term, local sourcing approach. In partnership with [ESALQ University](#), which provides R&D support and training, contract growing through local rural farmers has seen new processes, such as sprinkler irrigation, soil analysis, recording pesticide applications in a 'field book' and the more productive cultivars and seeds gradually adopted. Average yield has increased from 29 tons/ha to 54 tons/ha, losses due to quality have reduced significantly from 44% to 3% and water consumption has more than halved from 138 m<sup>3</sup>/ha/hour to 55 m<sup>3</sup>/ha/hour over a period of seven years.

#### Number of farmers supplying directly to Nestlé

<b>2014</b>	<b>695 000</b>
2013	686 000
2012	690 000

#### Countries covered by SAIN programmes

<b>2014</b>	<b>51</b>
2013	48
2012	46

#### Farmer Connect markets covered by SAIN programmes (%)

<b>2014</b>	<b>100</b>
2013	100
2012	100

### Creating 'agripreneurs'

We want to develop low-income farmers into suppliers of agricultural raw materials while seeking to ensure that livelihood activities allow 'agripreneurs' to provide their families with affordable, nutritious food, as well as medical care and schooling. Starting with our own supply chain, Nestlé sourcing staff work with farmers to evaluate their impacts and help them become 'agripreneurs' – successful, business-orientated farmers who are farming by choice.



## The role of RISE

We use the [RISE](#) methodology (Response-Inducing Sustainability Evaluation) as an appropriate tool to develop farmers and make sustainable agriculture measurable, communicable and tangible, across a number of agricultural raw materials, including milk, coffee, cocoa and vegetables.

The RISE tool uses 10 indicators (rated from 'problematic' to 'good') to assess and improve sustainability at a farm level. Data collected by Nestlé sourcing staff is analysed for strengths and weaknesses, with scores given for the 10 indicators. Results are then discussed, and possible interventions suggested, in a personal meeting with the farmer.

## Farmer training

One of the key challenges of our rural development work is to convert poorer-performing farmers into skilled farmers who are able to meet our standards and become suppliers, as well as improve the performance of elite farmers and 'agripreneurs' even further.

In 2014, we provided training to about 376 000 farmers (2013: 300 000) around the world – almost half our supplier base – through our capacity-building programmes.

Our farmer training and support focuses on:

- Seed and plant propagation techniques;
- Soil fertility and plant nutrition;
- Plant health and protection;
- Post-harvest processing and storage;
- Feed and fodder production, storage and conservation;
- Farm animal nutrition including raw material safety and quality;
- Farm animal health, care and welfare;
- Farm management and record keeping;
- Water conservation and manure management; and
- Water and environmental sanitation for farming communities.

These education and training activities are also targeted towards [women farmers](#), to help empower them and strengthen their role in the supply chain. This may lead to greater yields of higher-quality, increased incomes and higher standards of living.

For example, in Côte d'Ivoire, cassava is an important part of the local diet. However, the supply chain faces challenges including disease and pest infestation, insufficient post-harvest processing and low levels of commercialisation as a crop. Through an ongoing public-private partnership, with Swiss and German organisations working alongside the Ivorian National Agricultural Extension Agency ([ANADER](#)), Nestlé has helped to develop the cassava supply chain, working with 4 000 producers, most (78%) of whom are women. This has involved:

- Using a high-yield, disease-resistant variety with the appropriate properties for commercial starch production;
- Working with local producers to improve the collection and transportation of raw cassava to our factory; and
- Training farmers in good agricultural and post-harvest processing practices, in conjunction with ANADER.

We also have technical assistance schemes in place across 26 of 29 countries where we have milk operations: these include managing water programmes with farmers and providing farmers with access to finance.

### Farmers trained through capacity-building programmes

2014	376 000
2013	300 000
2012	273 808

### Soil fertility management in coffee farms

Thailand's Robusta coffee production area, located in the south of the country, has a rainy season that lasts up to 10 months. Over time, the heavy rain has drained minerals and organic matter from the soil, degrading its fertility. The use of chemical fertilisers and herbicides has impacted on the structure and nutrient levels of the soil. With coffee productivity declining, Nestlé Thailand introduced two training programmes in the Chumphon and Ranong coffee provinces to improve soil quality through more sustainable farming practices.

- **Soil fertility management:** With more than 2 100 soil samples providing a baseline for pH levels, organic matter and key minerals in 2011, 1 603 farmers have since been trained to balance soil pH by applying lime or dolomite. A pilot programme to increase organic matter content by adding coffee husk and composted agricultural waste from farms also involved 101 farmers. Composting using coffee husks saves around CHF 160 per hectare a year, while bulk blending to optimise the use of organic and synthetic fertilisers reduces the annual cost of production by CHF 190 per hectare.
- **Soil protection:** The training helps farmers protect and improve soil fertility by making the best use of cover crops and trees. Weed control is done manually and through the use of herbicides, while green manures and ground cover with leguminous plants (seeds are provided in cooperation with the Land Development Department) protect the soil, improve moisture retention and increase organic matter. Growing Vetiver grass helps to mitigate the impact of soil erosion on sloped land.

We will continue to monitor and evaluate soil quality, implement recommendations and extend the programme to other provinces.

### Local sourcing and assistance to farmers

Through our activities in 2014, we enabled around 83 600 farmers to access services amounting to CHF 39 million of assistance. Of this, CHF 32 million was direct financial assistance such as investment loans, operational loans, advanced payments, subsidised interest rates and bank guarantees.



The balance is made up of non-financial and in-kind support, such as the training, advice, veterinary services, supply of plantlets and other capacity-building measures made available through Farmer Connect and as part of our Responsible Sourcing activities such as the [Nescafé Plan](#), the [Nestlé Cocoa Plan](#) and the [Nespresso AAA Sustainable Quality™ Program](#).

#### Number of farmers benefiting from financial assistance

<b>2014</b>	<b>83 600</b>
2013	59 000
2012	44 000

#### Budget for financial assistance to farmers – direct and indirect

<b>2014</b>	<b>CHF 39 million</b>
2013	CHF 50 million
2012	CHF 37.8 million

### Women farmers

Women make up nearly half (43%) of the agricultural labour force in developing countries<sup>2</sup> yet ILO data suggests the yields they achieve are on average 20% to 30% lower than those of men<sup>3</sup>, because they have less access to improved seeds, fertilisers, equipment, training and information.

Throughout 2014, we increased our work with women farmers in our coffee, cocoa and milk supply chains by providing training on technical skills, resource stewardship and business issues. We also promote equal opportunities through gender awareness training, work with women's associations to create platforms for dialogue, and help women farmers to increase their income by growing additional food crops.

We are doing more to improve the lives of women in our supply chains, for example by:

- Integrating female empowerment and gender aspects into our Rural Development Framework;
- Publishing a [Nestlé Action Plan on Women in the Cocoa Supply Chain](#) in April 2013 and commissioning the [Fair Labor Association \(FLA\)](#) to make an assessment of women in our supply chain in Côte d'Ivoire, published in August 2014. A [progress report](#) was published in January 2015;
- Providing training for thousands of women livestock farmers in Pakistan through our partnership with the [United Nations Development Programme](#); and
- Helping to increase female representation in committees and at managerial levels through the training of representatives from nine co-operative societies in the Central region of Kenya.

### Investing in plant science to help farmers

Our support for farmers extends to sharing our expertise in agricultural research and development (R&D). By developing new varieties, we can offer farmers a greater choice around what they grow and help to improve the diversity of crops on their farms, optimise production and build a stronger outlook for the future. At the same time, we're helping them to protect the environment.

Through our state-of-the-art network of agricultural R&D centres, notably in Abidjan, Côte d'Ivoire and Tours, France, we invested CHF 12.45 million in plant science in 2014. Our scientists looked at issues such as genetic diversity and ways of delivering stronger, more robust plants to farmers, as well as issues related to productivity, crop quality and environmental protection.

#### The role of research and development in Cameroon

Nestlé Cameroon uses cassava as a starch in *Maggi* bouillon and, given the favourable climatic conditions and the large area of suitable land, cassava production on an industrial scale has great potential. Therefore, Nestlé Cameroon launched a project to replace imported starch by developing the local cassava value chain.

As part of a public-private partnership with the National Program for Roots & Tubers Development (PNDRT) and leading international institutes, Nestlé's R&D centre in Abidjan has tested the available cassava varieties and identified those with the best agronomic suitability and nutritional characteristics to be trialled. The 10 varieties, tested in different areas of southern Cameroon, showed good performance in terms of resistance to disease, yield (30 to 45 tons/ha) and dry matter content (30%–43%), and four varieties showed particularly high protein levels.

In February 2014, we signed an agreement with the Cameroonian government to collaborate in the development of local sourcing. The next steps are to map and better understand the factors affecting cassava supply chains, both locally and globally, and support the Ministry of Agriculture in identifying a suitable site to be the hub of cassava processing in the country.



<sup>2</sup> [www.fao.org/docrep/013/i2050e/i2050e00.htm](http://www.fao.org/docrep/013/i2050e/i2050e00.htm).

<sup>3</sup> [www.ilo.org/public/english/employment/ent/coop/africa/download/coopafrica\\_leaflet\\_iwd2012.pdf](http://www.ilo.org/public/english/employment/ent/coop/africa/download/coopafrica_leaflet_iwd2012.pdf).

G4-EC7, G4-EC8, Procurement practices G4-DMA, Employment G4-DMA, Supplier assessment for labor practices G4-DMA, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Supplier human rights assessment G4-DMA, Local communities G4-DMA, G4-SO1, G4-SO2

## Framework focus area:

### Productive and respected workers

Farm workers are vital to agricultural sustainability, yet there is a steady migration of people from often low-paying farm jobs to cities, which leads to rural labour shortages. Large plantations and farms may employ workers on a permanent basis and some also provide accommodation. However, migrant or seasonal workers, and those who work on small family farms, often experience working conditions that fall short of [ILO](#) standards. In fostering rural development, we are increasingly focusing our efforts on ways to promote farming and agricultural work as an attractive, economically viable livelihood of choice.

#### Labour conditions in our supply chains

We have a responsibility to ensure that farm workers and others employed in our supply chains work in fair labour conditions that meet the terms of our [Supplier Code](#). We therefore continue to support farmers so that they pay their employees a living wage, improve working conditions and introduce technologies that can make agricultural work less arduous.

Our [Rural Development Framework](#) pays attention to vulnerable worker groups, especially seasonal, migrant, non-family and women, where we seek to improve conditions of employment and work, eradicate forced labour and child labour, and support non-discrimination and freedom of association.

Implementing standards such as the [UN Global Compact](#) and the [ILO Core Conventions](#) works best when farmers and their workers understand the value of improved conditions and its effect on productivity. Sharing knowledge and information, our field support staff provide education and training on human rights, labour rights, living wages, and health and safety, build capacity and foster opportunities for dialogue between workers and their representatives.

Through our [Commitment on Child Labour in Agricultural Supply Chains](#), we are prioritising the supply chains of cocoa, vanilla and hazelnuts on which to focus our zero tolerance of child labour. More information on our commitment to eliminate child labour can be found in [Human rights and compliance](#).

#### Partnership with the Fair Labor Association (FLA)

We were the first company in the food industry to become affiliated with the [FLA](#), a non-profit multi-stakeholder initiative that works with major companies to improve working conditions in their supply chains.

To date, the FLA has investigated our hazelnut supply chain in Turkey and cocoa farming in Côte d'Ivoire on our behalf, and highlighted issues concerning workers' rights, child labour, working conditions and other topics such as the role of women (see the [FLA reports](#)).

We continue to work with them to address these findings through action plans across our [cocoa](#) and [hazelnut](#) supply chains.

### Evaluating biofortified millet in West Africa

Millet is grown in Africa, Asia, the Americas and Australia, and is a staple crop for more than 500 million people, providing an excellent dietary source of iron, calcium and other minerals.

In 2010, our R&D centre in Abidjan began assessing the varieties available in West Africa to identify, assess and disseminate high-yield, iron-rich varieties. Through a collaboration with the Senegalese [Institute for Agricultural Research](#) (ISRA), 17 millet varieties were assessed for yield, disease resistance and nutritional value, and 28 trials were conducted with local smallholder farmers in Senegal and Ghana.

Our R&D technicians also evaluated the possibility of using biofortified millet in Nestlé products. In partnership with the International Crop Research Institute for the Semi-Arid Tropics (ICRISAT), we evaluated three varieties of iron- and zinc-rich millet in Senegal and Ghana. Results showed the potential of using iron biofortified millet for products such as *Golden Morn Millet* and *Cerelac Millet* in Nigeria and Ghana.

We therefore started a programme to produce enough seeds for the mass propagation of biofortified millet, if needed. In 2013, 15 tons of biofortified millet seed were produced, although we believe production levels of 3 500 tons are possible in time.

Our Abidjan staff continue to trial the use of biofortified millet in product development and, in collaboration with other business units, will explore the possibility of using it at an industrial scale.

## Framework focus area:

### Prospering communities

We realise that successful farmers and attractive rural work are not enough to guarantee the long-term commitment of farmers and workers to agriculture, and to secure our raw materials in the future. Rural areas need to be attractive places to live, work and invest in, and we recognise that we also need to play our part to help communities to develop and thrive. Of course, Nestlé cannot do this alone – we need the communities and governments themselves to take the lead; we need the support of trade partners and suppliers; and we need to encourage investment from other sectors such as infrastructure, banking, education and healthcare. To play our part, we need to understand the needs of the communities and work with them, governments and other stakeholders to deliver solutions that allow them to thrive.

#### Prioritising interventions

When it comes to the level at which we intervene and work with local communities, our philosophy is to be guided by our assessment of the needs identified by the communities themselves, and the objectives of local authorities and national governments.

While we are often conscious that improvements could be made in areas such as nutrition, education, access to clean water and improved sanitation, our priorities are determined by the impact our interventions will have, their relevance to our business activities and where the societal need is greatest.

Procurement practices G4-DMA, Indigenous rights G4-DMA, G4-HR8, Supplier human rights assessment G4-DMA, G4-SO1, G4-SO2, Supplier assessment for impacts on society G4-DMA

## The rural development impacts of our factories

More than 80% of our factories are located in rural areas<sup>4</sup>, and these operations often make a significant contribution to the development of the local economy. They provide a market for locally grown produce, create direct employment opportunities and income, and increase access to our products for local consumers.

They bring other indirect economic benefits across the communities too. Many have a Nestlé-built water treatment plant; contribute to local educational facilities; offer formal apprenticeships and training; run literacy and numeracy programmes; provide clean drinking water to local communities; and invest in other local infrastructure.

We work closely with rural communities within our sourcing districts, to assist with their economic and social development. In this way, local suppliers – as well as our own employees – can work in a stable and reliable environment, improve their skills and access opportunities for a more secure future.

## Land acquisition: Respecting the rights of local and indigenous peoples

Land tenure is one of the eight key areas that is included in our [Rural Development Framework](#) and we are now gathering data and insights on the status of farmers' property rights. We have put in place a comprehensive approach to address the problem of land grabs during the last few years, focusing on identifying high-risk countries and raw material categories that we pay particular attention to.

Secure rights to land and natural resources are essential to rural development because they help to reduce uncertainties and facilitate long-term investment; in contrast, insecure land rights lead to poverty, land degradation and forest conversion. We have therefore made land rights one of our major areas of focus in our work on rural development.

Nestlé does not directly acquire or lease agricultural land, though we do acquire land for factory sites and a small number of demonstration farms. However, we do buy ingredients such as palm oil, soya and sugar, which are some of the common raw materials driving land acquisition and 'land grabbing'.

A series of reports on the topic, including one in October 2013 from Oxfam into land tenure and supply chains, explored food and beverage companies' land rights policies relating to [sugar](#), [palm oil](#) and [soya](#). In May 2012, the FAO produced [Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security \(VGGTs\)](#).

In July 2014, we released our [Nestlé Commitment on Land and Land Rights in Agricultural Supply Chains](#). In this, we have adopted the FAO VGGTs, and commit to both zero tolerance for land grabs, and to holding suppliers accountable for community land rights. In short, we commit to source our raw materials from land that has not been illegally taken or unfairly taken. We will advocate for others to do likewise, and work with a range of stakeholders to help the landless gain access to land, with a focus on tenure for women.

The work of our partners such as [The Forest Trust](#) (TFT) includes assessments of our suppliers – and their suppliers – to determine the status of land ownership and any land conflicts, and to ensure that the principles of Free, Prior and Informed Consent (FPIC) are applied during the due diligence process that leads to any new land acquisition.

## Complaints handling and resolution

We take the concerns of the people living close to our factories very seriously and are currently working to improve the way in which we respond, resolve and report on their concerns.

In 2014, we launched our '[Tell us](#)' communication channel, specifically designed to give all external stakeholders the opportunity to declare any possible non-compliance against the Nestlé Corporate Business Principles or laws, both internal and external. By the end of 2014, 8 700 Nestlé suppliers had been appraised and informed of the Tell Us channel.

[In the Tier 1 audits](#), carried out in 2014, 66 instances of potential impacts on indigenous peoples, resulting from our own operations, were identified.

 **Read more about** [Human rights and compliance](#).

## Our initiatives at a glance

<b>Responsible Sourcing Auditing</b>	Our key Tier 1 suppliers are required to demonstrate compliance with Nestlé's Supplier Code, which also covers environmental standards through independent third-party audits. If corrective actions are required, we work with the auditors to guide vendors in upgrading their practices.
<b>Responsible Sourcing Traceability &amp; Assessments</b>	We promote transparency in our extended supply chain back to the farm or plantation for 12 priority categories to support our commitments on: no deforestation; responsible use of water and farm animal welfare; and other specific ethical and environmental aspects.
<b>Farmer Connect</b>	Through Farmer Connect, our direct sourcing programme, we support dairy and coffee farmers and farming communities with technical assistance on sustainable production methods. We also promote the efficient delivery of raw materials to our factories.
<b>Sustainable Agriculture Initiative at Nestlé (SAIN)</b>	This initiative facilitates the sharing of best practices and lessons learned within our agricultural supply chain. SAIN currently covers 51 countries (2013: 48).

<sup>4</sup> Rural areas are defined as being "less than 30% artificial land cover within 5 km radius of the factory", as calculated by UNEP-WCMC December 2014 using data from Globcover2009 European Space Agency 2009 data set.

G4-12, Procurement practices G4-DMA, Supplier assessment for labor practices G4-DMA, Investment G4-DMA, Supplier human rights assessment G4-DMA, Animal welfare G4-DMA, Supplier assessment for impacts on society G4-DMA, Supplier environmental assessment G4-DMA

## Responsible sourcing

With consumers and other stakeholders increasingly looking for information about where our ingredients originate and how they were produced, responsible sourcing – the sourcing of raw materials and paper in full compliance of our Responsible Sourcing Guideline (RSG) criteria, with traceability and transparency throughout our supply chains – has never been more important.

Responsible sourcing is an investment in our future, and in the future of the farmers and producers on whom we depend for the ingredients in our products. It requires continuous improvement and places shared responsibility on all parties in the supply chain to address economic, social and environmental issues that can affect supply, livelihoods and sustainability.

There are many challenges – for example, many of our supply chains are complex, both in terms of geography and language, so initiatives and materials must be tailored to meet the needs of local markets. But we've made steady progress over recent years, by encouraging the adoption of internationally recognised [ethical, sustainability and agricultural practices](#). These drive economic viability, environmental sustainability, social acceptability, and food safety and quality, helping to address stakeholder concerns such as food security and the environmental sustainability of agriculture.

In this section, we describe the nexus between responsible sourcing and rural development, and report on how we implement our supply chain commitments, policies and standards through Farmer Connect, Tier 1 and sub-tier supplier activities.

 **See also:** [Environmental sustainability](#)  
[Human rights and compliance](#)

## Sourcing at Nestlé

### Our commitment



**Implement responsible sourcing in our supply chain**

### Our objectives

**By 2015** – To both improve and demonstrate compliance with the Nestlé Supplier Code, and complete 10 000 Responsible Sourcing Audits, 70% of them with full compliance.

**By 2015** – 40% of the volumes of the 12 priority categories (palm oil; soya; sugar; pulp and paper; coffee, cocoa, dairy, fish and seafood, shea, vanilla, hazelnuts, and meat, poultry and eggs) to be traceable.

As an important part of responsible sourcing, we trace our ingredients back to origin. In this way, we can foster consumer trust in where their food comes from and how it was produced. We can also ensure that the decisions we make on purchasing raw or processed materials align with our own commitments and policies, and be sure that our suppliers apply the same principles and values as we do, and meet our high standards.

Sourcing at Nestlé is done through Farmer Connect and Tier 1 (direct) suppliers:

- Through [Farmer Connect](#), we source raw materials for our factories directly from farmers (operating at a range of scales, from smallholder to large professional farms), as well as co-operatives and a number of selected traders. Many of our 695 000 Farmer Connect suppliers are dairy, coffee and cocoa farmers, who deliver to our buying stations and collection centres, or those of our partners. This ensures greater traceability and, by offering technical advice, capacity building and training, we help farmers to meet consumer preferences and needs, as well as compliance, concerning raw material safety and quality.
- [Tier 1 suppliers](#) are in direct commercial relationships with Nestlé. Many of them work in the pre-processing industries, or as trade partners, and we audit how their materials or services are produced to ensure they adhere to the standards set out in the Nestlé Supplier Code.
- Beyond them, [sub-tier suppliers](#) supply our suppliers, so aren't in a direct commercial relationship with us; nonetheless, we focus on mapping where their ingredients come from to establish transparency and traceability in our supply chain and to assess the material origin against our Responsible Sourcing Guideline.

Responsible sourcing applies to sourcing through Farmer Connect and through Tier 1 suppliers, and is an investment in the future of the range of farmers and producers on whom we depend. It requires continuous improvement and a shared commitment to rural development.



G4-12, Procurement practices G4-DMA, G4-EC9, G4-EN32, Environmental grievance mechanisms G4-DMA, G4-LA14, Supplier assessment for labor practices G4-DMA, Supplier human rights assessment G4-DMA, G4-HR10, Supplier assessment for impacts on society G4-DMA, Compliance G4-DMA (Society), G4-SO9

## Setting out our standards

Despite our diverse sourcing structure and different types of suppliers, all of them have to commit to our standards.

The recently updated [Nestlé Supplier Code](#) lies at the heart of every business relationship with our suppliers. It reflects our commitment to conduct our business activities in full compliance with applicable laws and to be guided by integrity and honesty. It sets out the non-negotiable minimum standards and best practices that we require our suppliers, and their suppliers – down to the individual farm level – to respect and adhere to when doing business with us. Simple versions of the Code in pictorial form are also made available to overcome variations in literacy levels.

To respond to stakeholder concerns, we created the [Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin](#), which applies to the upstream value chain back to the primary production level. This is not an operational change but a change of wording in response to stakeholder queries, as we continue to drive the concept of ‘remove the worst, promote the best, improve the rest’. Its principles span continuous improvement, transparency along the value chain, supplier accountability and support, and credible verification.

Implementation of the Code’s requirements is embedded into our internal procurement procedures and objectives, which use approaches that are tailored to the nature of the supply chain, the type of supplier and our commercial relationship with them.

The Code is derived from the [Nestlé Corporate Business Principles](#), which are aligned with the [United Nations Global Compact](#) (UNGC) Principles relating to business integrity, human rights, labour and the environment. Principle 7, regarding supplier and customer relations, states:

“

We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards. In the same way, we are committed to our own customers.”

### Nestlé’s Corporate Business Principles

Because each supply chain has its own characteristics and issues, we’ve developed the [Nestlé Responsible Sourcing Guideline](#) and additional category-specific requirements for prioritised ingredients and materials. These help our suppliers to improve their practices at a farm or plantation level, where necessary, and ensure they meet or exceed internationally recognised standards.

The Guideline follows four general principles:

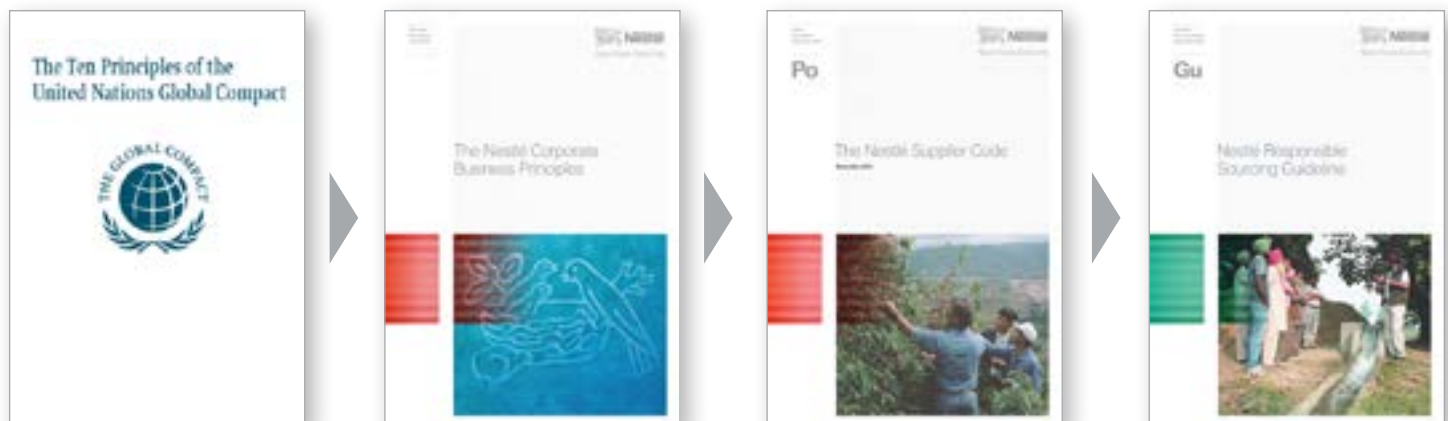
- Suppliers are expected to engage in a process of continuous improvement;
- Suppliers should conduct their business with Nestlé in an open and transparent way;
- Nestlé will support suppliers not yet able to comply with all aspects of the Responsible Sourcing Guideline, but who are committed to becoming compliant over time and demonstrate continuous, tangible progress; and
- Suppliers are to continuously monitor and verify their performance and progress, complying with independent assessment where necessary.

We have also developed a number of written Commitment documents, derived from these policies and guidelines, which provide accessible information on the specific pledges we have made about key issues such as farm animal welfare, biofuels and child labour.

By applying these policies, principles and guidelines, we’re making progress in tracing the materials we buy right back to the origin – the essential step in identifying and addressing issues – and through supplier farm or plantation assessments and developments, we’re tracking performance continuously.

Strategic responsibility for these activities lies with our Responsible Sourcing team, with operational accountability sitting with each individual buyer and sign-off by the Executive Board and CEO.

As well as our in-house expertise, we also call on the advice and capabilities of third-party partners at different stages of the supply chain, to assist us with tracing, assessing and monitoring activities. This includes a website and toll-free helpline that suppliers and farmers can use for reporting violations of regulations, laws and the Nestlé Supplier Code anonymously and confidentially.





G4-12, Procurement practices G4-DMA, G4-FP1, G4-LA14, G4-LA15, Security practices G4-DMA, Supplier assessment for labor practices G4-DMA, Supplier human rights assessment G4-DMA, Supplier environmental assessment G4-DMA

## Implementing responsible sourcing



### Responsible Sourcing activities

#### Farmer Connect suppliers

We ensure **transparency and traceability up to farmer level** by sourcing directly from farmers, co-operatives and selected traders. The baseline documents for our sourcing activities are the Nestlé Supplier Code and the Responsible Sourcing Guideline. We engage with suppliers on **opportunities for continuous improvement** by applying Nestlé good agricultural standards, principles and practices on food safety and quality assurance, and involve them in capacity building and training, which enables them to reach **higher levels of sustainability**.

#### Tier 1 suppliers

For suppliers in **direct commercial relationships** with Nestlé, our activities focus on an **ethical audit of their operations** against the Nestlé Supplier Code requirements, to measure **how** a material or service is produced, and ensure that processes are upgraded over time.

#### Sub-tier suppliers (extended value chains)

For suppliers below Tier 1, where we are **not in a direct commercial relationship**, our activities focus on supply chain mapping to **establish transparency and traceability** to farm or plantation level, to determine **where** the material comes from, and ensure the continuous adherence to our Supplier Code and Responsible Sourcing Guideline through Responsible Sourcing assessments at the origin (farm, plantation, etc.).

G4-12, G4-EN32, G4-EN33, Supplier assessment for labor practices G4-DMA, G4-HR6, G4-HR10, Supplier assessment for impacts on society G4-DMA, G4-SO9, G4-SO10

## Tier Auditing

The first component of our Responsible Sourcing activities is the auditing of our Tier 1 suppliers. This began in 2010 with the aim of verifying how a material or service is produced and to drive direct suppliers' continuous progress towards full compliance with our Supplier Code. All new suppliers are screened when entering into business with Nestlé and signing the Code is an integral part of our mandatory vendor approval process.

## The process

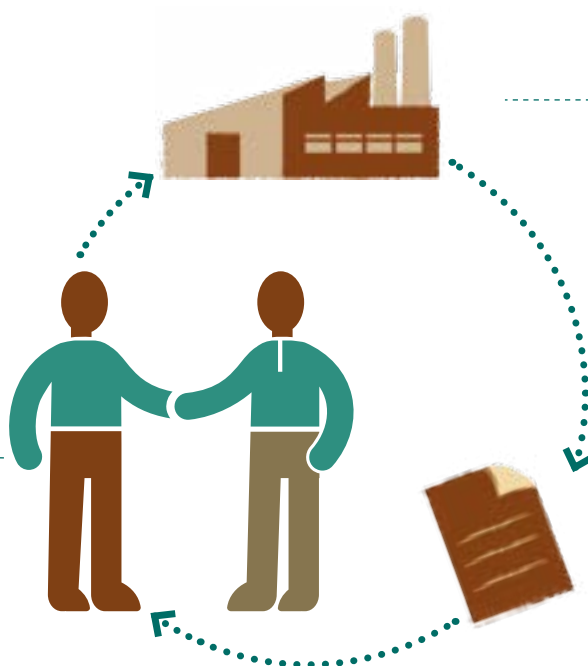
Suppliers are required to arrange and host an ethical audit to show adherence with national and international laws and standards, and the minimum standards set out in our Supplier Code. These take place across all categories (raw, packaged, etc.) globally.

The audits are carried out by approved independent verification firms, using either the [Sedex Members Ethical Trade Audit \(SMETA\) 4 Pillars guideline](#) for most of the production facilities or the [Ecovadis](#) methodology for certain services suppliers. The topics being assessed reflect best practice in labour standards, health and safety, the environment and business ethics.

## The audit process

### 3 Resolution

If any gaps are identified in relation to our standards, we support the supplier to close these by working together on an agreed course of action. If a supplier doesn't improve its practices within an agreed timeframe, we remove them from our supply chain and look to establish new partnerships with other suppliers.



### 1 Site visit

Site visits take place on a rolling basis, using consistent audit criteria covering:

- Labour standards
- Safety and health
- Environment
- Business integrity.

### 2 Report

Following a site visit, the auditor\* provides a report for the supplier and for Nestlé, identifying any issues of non-compliance.

\* Leading verification firms  
Bureau Veritas, Intertek and SGS.

G4-12, Supplier assessment for labor practices G4-DMA, G4-LA15, Supplier human rights assessment G4-DMA, Supplier assessment for impacts on society G4-DMA, G4-HR11

## The results

Suppliers receive a report highlighting opportunities for improvements and requirements for compliance. If a supplier refuses to implement suggested actions within an agreed time-frame, we remove them from our supply chain and look to establish new partnerships with other suppliers.

At the end of 2014, 2 200 of our target 10 000 Tier 1 suppliers had been audited (2013: 2 507), at more than one site in certain cases. We have now audited 8 700 suppliers; if we reach our objective of 10 000 Responsible Sourcing Audits by 2015, we will have audited suppliers accounting for 95% of our overall spend.

Of these audits, 73% were fully compliant with the Supplier Code (2013: 74%), against a target of 70%. This benchmark has decreased compared to previous reports because:

- Our definition of compliance has become much tighter, and now requires suppliers to have no non-compliances – even minor ones; and
- We are auditing more smaller-scale suppliers using the same criteria.

Of the remaining 27% of non-compliances being addressed:

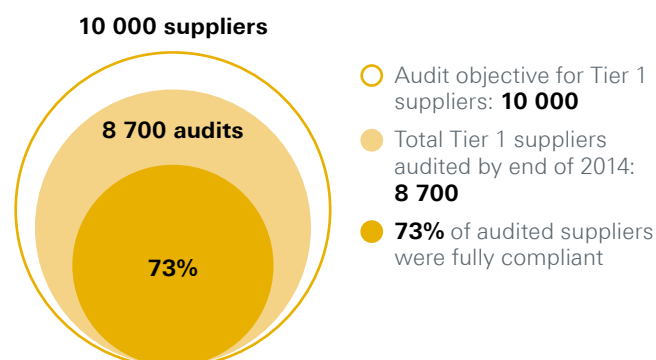
- 51% are health and safety issues, such as not providing adequate protective equipment to employees;
- 13% are working hours issues, such as working more than 60 hours a week; and
- 11% are accommodation-related issues, such as inadequate rest facilities or unhygienic toilets.

In all cases, a corrective action plan has been approved with detailed measures and timelines in place to ensure that practices are continuously upgraded. Around 21 000 (61%) of the 34 000 non-compliances found have been addressed through a range of improvements, such as fitting fire extinguishers, clearing access to emergency exits, improving toilet and hand-washing facilities, and providing clean drinking water. An estimated 1.4 million employees are now benefiting from better working conditions as a result.

Nestlé does not have a formal incentivisation programme for suppliers. However, we work closely with our suppliers to help them improve their performance and implement corrective actions where needed. However, in some cases where suppliers refuse to comply with our audit process or fail to implement corrective action plans, we reduce our purchases from them or in some cases terminate our relationship. We terminated our relationship with 1% of our suppliers this year due to ongoing non-compliance.

Suppliers can also share these audit reports with other members of the AIM-PROGRESS platform, a forum of 39 consumer goods manufacturers and suppliers that also recognise the audits as a way to facilitate responsible sourcing and sustainable production. This helps to promote good practice across the industry and avoids the need to undergo separate ethical audits for other customers.

### Auditing results



### Purchased volume compliant with the Nestlé Supplier Code (% of overall spend)



\*The decrease in 2014 is due to a change in the definition of the criteria used for reporting to only include criteria strictly related to responsible sourcing.

### Percentage of suppliers, key vendors and quality key suppliers at year end (of the 10 000 audit objective for Tier 1 suppliers) compliant with our Supplier Code



## Value for suppliers



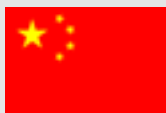
With the Responsible Sourcing Audits, we have identified points for improvement in our process to further enhance our Integrated Management System.”



**Tier 1 supplier, Brazil**



We have heard about ethical audits before but were not sure what all the good practices were. Nestlé guided us in closing the minor findings we had and becoming a more reliable supplier as a consequence.”



**Tier 1 supplier, China**



Demonstrating compliance against the Nestlé Supplier Code was, for us, logical and we appreciated the fact that the Responsible Sourcing Audit report was also valid for clients other than Nestlé.”



**Tier 1 supplier, Germany**

## Traceability & Assessments

The second component of our Responsible Sourcing activities is traceability and assessments, which involves mapping our supply chains back to the primary producer, to identify where the material comes from. It's a major undertaking, especially with ingredients like [meat](#), which has a very complex supply chain that lacks transparency.

Transparency and traceability is an essential element in assessing upstream, sub-tier suppliers where we are not in a direct commercial relationship, and ensuring they are meeting our ethical and sustainability requirements. Our work enables us to understand where our priority ingredients and materials originate, by mapping our supply chain from Tier 1 suppliers through to farm level. With clear transparency back to the farm or plantation, we can then perform assessments on the ground to verify alignment with Nestlé's Responsible Sourcing Guideline and, based on the results, work with suppliers to improve the performance.

With a focus on critical social, environmental and farm animal welfare-related challenges, the Guideline defines specific requirements for the supply chains of our priority categories. These requirements cover the scope of the Responsible Sourcing Guideline, the acceptable means of verification and what constitutes the definition of 'responsibly sourced'.

Our Responsible Sourcing activities define ingredients against these two benchmarks:

- **Traceable:** The ingredients we buy are identified back to mill, plantation or farm by Nestlé or our suppliers (even through a middleman or third-party supplier). However, depending on the category, it may not be possible to physically trace each individual delivery at a factory back to the sourcing farms.
- **Responsibly Sourced:** Origins (plantations or farms) are assessed against our Responsible Sourcing Guideline requirements and found to be compliant, or with ongoing improvement plans; or compliant with other [certification schemes](#) that we deem to be equivalent to our requirements.

## Traceability and Assessment Process

### 4 Monitoring and compliance

We re-assess practices over a number of years to ensure standards are maintained, before starting the process with a new pool of suppliers.



### 1 Engagement & mapping

We ask our direct suppliers to work with us to map our upstream supply chains back to origin.

### 2 Guidelines & Assessments

We work with expert partners to develop ingredient specific RSGs and assess practices at farm and plantation level.

### 3 Continuous development plans

We work with suppliers to improve farm and plantation performance and implement development programmes to tackle environmental and social issues.



At Nestlé, consumers' trust is a key priority. For this reason, we're focused on ensuring that our raw materials are Responsibly Sourced. This starts with knowing where they come from and how they're produced."

**Marco Gonçalves, Group Head of Procurement, Nestlé**

Having mapped our supply chains back to source, we engage, assess and develop the suppliers at the origin of the supply chain (the farm or plantation) using the Responsible Sourcing Guideline.

All Nestlé suppliers are required to meet its requirements. However, we recognise that supply chain transformation cannot be achieved overnight, so where appropriate, we support those suppliers that are not yet able to meet the Guideline but are committed to closing non-compliances over time. Progress against these action plans is monitored and regularly reported.

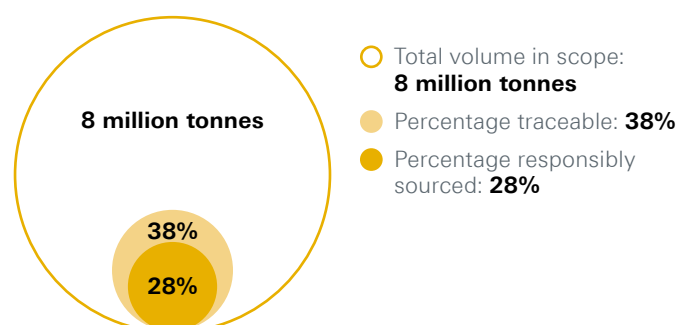
### The results

To date, 38% (2013: 17%) of our aggregated purchased volumes of our 12 priority ingredients and materials are traceable, against an interim target of 30% by the end of 2014 and an overarching target of 40% by 2015. And 28% (2013: 9%) of our key categories of ingredients are Responsibly Sourced, ahead of our annual target of 20%.

Obviously, some categories of raw material are progressing faster than others; around 95% of the vanilla we procure is traceable, for example. But with operational activities for meat, poultry, eggs and fish commencing in 2014, we are confident that we will reach our [global objective](#) of 40% of priority category volumes traceable, and 30% Responsibly Sourced, by 2015.

See [Focus on our priority categories](#)

### Traceability and assessments results



### Partnerships for assurance and verification

Given the size of our supplier network, mapping our major supply chains is a significant undertaking that we can't do alone. We have built partnerships with a number of expert organisations to help us:

- Develop category-specific requirements;
- By acting as implementation partners on the ground, carrying out field assessments against our social and environmental requirements;
- Address any issues through technical assistance and training; and
- By carrying out their own independent verifications to ensure they meet their respective standards.

These organisations include:

- **4C Association** – Nestlé is a founding member of the 4C (Common Code for Coffee Community) Association, a multi-stakeholder group designed to improve efficiency, profitability, transparency and sustainability in the production, processing and trading of coffee through training and verification.
- **Fair Labor Association (FLA)** – a collaborative effort of universities, civil society organisations and socially responsible companies dedicated to protecting workers' rights and supporting companies to voluntarily meet internationally recognised labour standards. Guided by FLA's findings, we have continued to work on addressing child labour issues in the harvesting of hazelnuts in Turkey and cocoa farming in Côte d'Ivoire, as well as assessing the role of women in the cocoa supply chain. The FLA has also advised us in the development of the [Rural Development Framework](#).
- **Fairtrade International** – Fairtrade International coordinates Fairtrade labelling at an international level, sets international standards and helps producers around the world to gain Fairtrade certification. The organisation has set up a pilot of the *Nespresso* AAA [Farmer Future Program](#), an initiative to enhance farmer welfare through the creation of a retirement fund, in Colombia.
- **Global Good** – a collaborative effort between Bill Gates and Intellectual Ventures that assesses our dairy supply chain in Kenya, Zimbabwe and Indonesia to identify how technology might address gaps in water, nutrition and rural development. Our agreement will focus on increasing the agricultural productivity of smallholder dairy farmers in East Africa through technology innovation.
- **Inter-American Development Bank** – supporting efforts by Latin American and Caribbean countries to reduce poverty and inequality in a sustainable, climate-friendly manner, the IDB provided coffee-growing farmers in Haiti with technical support, including upgrading the country's coffee value chain.
- **Proforest** – our delivery partner for mapping our soya and sugar supply chains, assessing suppliers and developing action plans.
- **Rainforest Alliance** – we partnered with Rainforest Alliance to help us in the delivery of the [Nescafé Plan](#) and the development of our Rural Development Framework. The Rainforest Alliance also co-created the *Nespresso* AAA Sustainable Quality™ Program and helps us to deliver it on the ground.



- **SAI Platform** – we co-founded this global food industry initiative, with Danone and Unilever, to promote sustainable agriculture at field level through six working groups (cereals; coffee; dairy; fruit; potatoes and vegetables; and water and agriculture).
- **Solidaridad** – our Rural Development Framework was developed with the assistance of this international civil society organisation. We have also contributed to a project to improve the food security of coffee farmers in Kenya and Ethiopia.
- **Sustainable Fisheries Partnership** – this international NGO is our implementation partner for our fish and seafood supply chain, enabling us to roll out the requirements of our Responsible Sourcing Guideline.
- **The Forest Trust (TFT)** – an international non-profit organisation that acts as our implementation partner to help us map our palm oil and paper supply chains, assess suppliers and develop action plans.
- **UTZ Certified** – UTZ Certified is the largest programme for sustainable farming of coffee and cocoa in the world, covering good agricultural practices, farm management, social and living conditions, and the environment.
- **World Animal Protection** – Nestlé has a global partnership with this international animal welfare NGO. We first began working in collaboration with World Animal Protection in November 2013 to develop our Responsible Sourcing Assessment protocol on farm animal welfare in our supply chain and we continue to work together, to assess our suppliers of animal-derived ingredients against our Responsible Sourcing Guideline on farm animal welfare. [Read more](#)

### Partnerships to prevent deforestation

[Deforestation](#) is a significant global issue that will take time and the combined effort of many different organisations to address. Nestlé is committed to zero deforestation by 2020 and we take a proactive role in tackling deforestation through our work to drive traceability in our supply chains. Three categories of raw material ([palm oil](#), [pulp and paper](#), and [soya](#)) are central to our [Commitment on Deforestation and Forest Stewardship](#).

### Issues in traceability and supply chain mapping

Achieving transparency and traceability in the supply chains of our key categories of raw materials and paper presents some common challenges.

The **shape and complexity of the supply chains** for certain raw materials can vary considerably between countries. For example, in Brazil, pulp and paper companies are often integrated, owning the forests, mills and converting factories, and many are also certified, which helps demonstrate compliance with our sourcing requirements. In contrast, supply chains in Malaysia and China are incredibly complex, with layers of middlemen and traders between the forest and the mills, weakening our ability to influence suppliers. And in India and Indonesia, much of the packaging for our products uses recycled rather than virgin fibre.

The **diversity of suppliers** can also make it difficult to devise the most appropriate strategy for implementation and continuous improvement, as the approach for one raw material in one location won't be right for another.

With sugar, for instance, some supply chains involve large, mill-owned plantations; in other situations, there are many thousands of smallholders with plots of less than a hectare who are not bound to a specific mill, but have strong ties with associations or co-operatives. We need to take all of these variables and needs into account and have input from all relevant stakeholders for any strategy to be effective.

### Supplier Engagement award

Nestlé won the award for Best Supplier Engagement at the [2014 Ethical Corporation Responsible Business Awards](#) for demonstrating a more socially and environmentally responsible supply chain. The award also considered our strong engagement with suppliers, including proactive efforts to help suppliers to deliver well-defined sustainability goals.

G4-12, G4-EC7, Supplier environmental assessment G4-DMA, G4-EN33, Procurement practices G4-DMA, Supplier assessment for labor practices G4-DMA, G4-LA15, Supplier human rights assessment G4-DMA, G4-HR10, Supplier assessment for impacts on society G4-DMA, G4-SO9, G4-SO10

## Our priority sourcing categories

It's a long-term journey to map our extended supply chains across priority categories of ingredients and materials. We're making steady progress but as each supply chain presents its own set of challenges, we also need to define, develop and implement strategies to address such complex issues as child labour and deforestation. Our progress towards having traceable and Responsibly Sourced raw materials in each of our 12 priority categories is summarised in the table below, and covered in much more detail in the rest of the chapter.

Commodity	Traceable 2014			Responsibly sourced 2014	
	Target %	Actual %	Level of traceability	Target %	Actual %
<a href="#">Coffee</a>	43.5	<b>49</b>	Back to plantation	43.5	<b>49</b>
<a href="#">Cocoa</a>	20	<b>21</b>	Back to plantation	20	<b>21</b>
<a href="#">Dairy</a>	15	<b>35</b>	Back to farm	8	<b>27</b>
<a href="#">Palm oil</a>	90	<b>82</b>	Back to mill and plantation	50	<b>32</b>
<a href="#">Pulp and paper</a>	60	<b>61</b>	Back to forest	60	<b>53</b>
<a href="#">Soya</a>	30	<b>41</b>	At least back to mill	20	<b>32</b>
<a href="#">Sugar</a>	30	<b>50</b>	At least back to mill	20	<b>27</b>
<a href="#">Shea</a>	30	<b>0</b>	Back to co-operative	20	<b>0</b>
<a href="#">Hazelnuts</a>	75	<b>65</b>	Back to farm	30	<b>20</b>
<a href="#">Vanilla</a>	100	<b>95</b>	Back to plantation	10	<b>40</b>
<a href="#">Meat, poultry and eggs</a>	5	<b>1.5</b>	Back to farm	5	<b>1</b>
<a href="#">Fish and seafood</a>	60	<b>42</b>	Back to boat/aquaculture	50	<b>60</b>
<b>All categories</b>	30	<b>38</b>	n/a	20	<b>28</b>

## Coffee

We bought around 10% of the world's coffee in 2014 for our coffee brands, including *Nescafé* and *Nescafé Dolce Gusto*; this is sourced through procurement channels (commodities market) and also directly through 171 900 farmers, collectives and co-operatives. The origins of the coffee we purchase vary: for example, our Nescafé business has a broad geographical scope covering most of the coffee belt (which straddles the equator between the tropics of Cancer and Capricorn).

Meanwhile, *Nespresso* permanent Grand Cru coffees are sourced directly from 63 000 farmers in 11 countries of origin, including Ethiopia and Kenya, and suppliers are carefully selected for the quality and aromatic profile of their coffees.

As well as engaging directly with farmers, we also buy green coffee through procurement channels. For each contract, the [Nestlé Supplier Code](#) sets out the social and environmental standards we expect from our suppliers, and we monitor compliance through quality assurance before shipment and periodic spot checks at exporters' premises.

- 49% [traceability](#) back to plantation (vs 43.5% annual target); and
- 49% [Responsibly Sourced](#) (vs 43.5% annual target).

Our long-term ability to source the right quality and quantity of coffee for our major brands depends on the sustainability of coffee farming. Ageing trees, plant diseases, declining yields, volatile prices and climate change are just some of the threats to the livelihoods of coffee farmers, the vast majority of whom are smallholders with no more than a hectare or two of land. Coffee growing is also being challenged by alternative crops considered by growers as better commercial prospects.

### Our initiatives

We support the responsible farming, production, supply and consumption of coffee through two major schemes:

- [The Nespresso AAA Sustainable Quality™ Program](#), which seeks to protect the highest quality coffees required for *Nespresso* Grands Crus, preserve the environment and enhance farmer welfare; and
- The [Nescafé Plan](#), a global initiative that brings together our commitments and activities, ranging from on-the-ground support for the farmers who supply us directly to the application of plant science to improve yields and quality.

Both the Nescafé Plan and the *Nespresso* AAA Sustainable Quality™ Program have distinctive features, standards and requirements that reflect their different business models and sourcing operations. And while they differ in geographical scope, all our coffee initiatives share a commitment to quality, productivity and efficiency, supported by our Supplier Code.

We are investing CHF 350 million in support of the Nescafé Plan over the decade 2010–2020 and CHF 300 million<sup>6</sup> for *Nespresso* coffee initiatives between 2014 and 2020.

We also take part in a number of sustainable coffee initiatives, including the Coffee Working Group of the [SAI Platform](#) and the [Sustainable Coffee Program](#), an IDH-facilitated implement social and environmentally friendly coffee-farming techniques to increase yield and quality.

### The Nescafé Plan

#### Our commitment



#### Roll out the Nescafé Plan with coffee farmers

#### Our objectives

**By 2015** – To improve the sustainability of our coffee supply chain, source 180 000 tonnes of coffee from Farmer Connect<sup>4</sup>, all of which is 100% in line with 4C's<sup>5</sup> baseline sustainability standard.

**By 2020** – To improve the quality, quantity and sustainability of our coffee supply chain, distribute 220 million coffee plantlets<sup>7</sup> and source 90 000 tonnes of coffee that is compliant with the Sustainable Agriculture Network (SAN) principles<sup>8</sup>.

The [Nescafé Plan](#) is a global initiative that brings together our [commitments and activities](#) that support the responsible farming, production, supply and [consumption](#) of coffee. Through the Nescafé Plan, we seek to improve the living standards of coffee farmers; increase the quality and quantity of the coffee they produce; ensure Common Code for Coffee Community (4C) verification; promote the responsible farming production, supply and consumption of coffee; and empower women and young people to become leaders in the coffee sector.

4 Our programme for direct sourcing from farmers, through which we commit to the local sourcing of raw materials, offering technical assistance and ensuring cooperation to meet the highest sourcing standards.

5 The Common Code for the Coffee Community (4C) Association is a multi-stakeholder group with members across trade and industry, producers, civil society and companies active in the coffee supply chain.

6 This is part of the CHF 500 million announced under *Nespresso*'s 2020 sustainability strategy.

7 This is an aggregate figure from 2010 to 2020.

8 An international coalition of leading conservation groups in sustainable agriculture, with standards for environmental protection, social responsibility and economic vitality.

Having added three new countries in Central America to the Nescafé Plan in 2013, we extended its scope in both Vietnam and Colombia through specific initiatives in water, coffee and rural development in 2014, and consolidated it in all 14 countries where it operates.

Through the Nescafé Plan, we will have bought 180 000 tonnes of Farmer Connect green coffee, ensured compliance with the 4C Code of Conduct by 2015, and invested CHF 350 million in coffee projects by 2020. This will require us to focus on the good agricultural practices that are embedded into our Farmer Connect programme (see below), delivered via training and assistance through our global partnership with the [Rainforest Alliance](#), and made possible by plant science research undertaken by our R&D centre in Tours. These practices are also reflected in our [Responsible Sourcing Guideline](#) and specific requirements for coffee, which apply to all countries where we source green coffee.

The performance requirements (economic, environmental and social) apply to producers of all sizes, from individual small-holders to large estates, and are based on the Code of Conduct of the [4C Association](#), of which we are a founding member. The Common Code for Coffee Community (4C) is a multi-stakeholder group designed to improve efficiency, profitability, transparency and sustainability in the production, processing and trading of coffee through training and verification.

### The 4C Code of Conduct

The 4C Association defines and maintains the [4C Code of Conduct](#), the baseline standard for sustainability in the coffee sector. The Code comprises 28 social, environmental and economic principles for the sustainable production, processing and trading of green coffee.

For each principle, criteria are categorised as green, yellow or red according to their level of sustainability. Green practices are desirable; yellow practices should be improved; and red practices must be discontinued. Producers can only sell 4C-compliant coffee if its practices meet a minimum average of yellow, as confirmed by independent verification.

The 4C Code also includes 10 Unacceptable Practices that all 4C Members and producer groups must eliminate before they join the Association or before claiming their coffee is 4C compliant.

### Farmer Connect for the Nescafé Plan

There are some 25 million coffee farmers around the world, and we're in direct contact with 171 900<sup>9</sup> of them through Farmer Connect, a programme that creates shorter, more efficient supply chains. Farmer Connect brings us closer to farming communities through direct relationships with farmers and co-operatives, so that we develop a more sustainable supply chain and drive positive change.

We buy directly from farmers, co-operatives and selected traders who apply Nescafé's Better Farming Practices, while our sourcing staff provide services including free technical assistance and training to help meet the highest sourcing standards.

Locally available, high-quality green coffee (which is processed and dried but unroasted) is vital to our coffee businesses. Many Nescafé factories are close neighbours to the coffee farmers on whom our production depends. Purchasing green coffee locally in an efficient way through Farmer Connect programmes helps us to develop local supplies for our factories, and to work with growers to make improvements at a farm level to improve their livelihoods.

Through the roll-out of the Nescafé Plan, we aim to source 180 000 tonnes of green coffee from Farmer Connect farmers. In fact, in 2014, Nescafé sourced around 186 750 tonnes (2013: 148 198) of coffee directly from 171 900 Farmer Connect farmers in 10 countries; 130 500 tonnes (70%) is 4C-compliant coffee (2013: 71 493 tonnes, 48%).

#### Volume of green coffee sourced through Farmer Connect (tonnes)

<b>2014</b>	<b>186 750</b>
2013	148 198
2012	133 792

<sup>9</sup> Despite our best efforts to avoid it, an element of double counting is possible.

### Farmer training and technical assistance

We are committed to training farmers on the techniques and guidelines that comprise our Nescafé Better Farming Practices. In our direct sourcing programmes, we provide technical assistance and training to thousands of coffee farmers every year, including training in various aspects of our Supplier Code.

We trained 134 078 farmers during the year – way in excess of our target of 10 000 a year. And by the end of 2014, the cumulative total of farmers and farm workers trained since the inception of the Nescafé Plan in 2010 reached 302 267. Our 250 sourcing staff also visited around 50 000 coffee farms during 2014 to offer our direct suppliers a more efficient route to market, local training, plant propagation and distribution, and technical assistance to help them implement good practices in the field.

#### The Nescafé Plan in Kenya

A number of activities have been put in place through the Nescafé Plan in Kenya. For example:

- Demonstration plots have been established in nine Farmer Cooperative Societies (FCS), helping our agronomists to showcase good agricultural practices and run training sessions on topics such as pruning, soil management, pest and disease control, and fertilisation methods.
- Mobile agronomists and 'promoter farmers' also visit farms within their FCS and cascade their knowledge and expertise to farmers unable to reach the demonstration plots.
- Around 4 000 farmers have been provided with more than 100 000 heavily subsidised coffee seedlings through their FCS nurseries, reducing costs and increasing financial benefits.
- To minimise waste and maximise yield, our agronomists collect soil samples, which are analysed at the Coffee Research Foundation. The results identify soil requirements, which are shared with the farmer during training sessions.



### Number of coffee farmers receiving technical assistance and training through the Nescafé Plan<sup>10</sup>

2014	134 078
2013	124 568
2012	101 622

### The role of plant science

Nestlé's research into plant science is fundamental to our coffee programmes, and we've directed significant resources into developing higher-yield, more disease-resistant coffee plantlets, and distributing millions of them to farmers around the world. This involves a long-term investment going far beyond general development projects, starting with the seed and culminating in testing and monitoring how the plant performs in the field.

For instance, we have started a partnership with the [Inter-American Development Bank](#) (IDB) to examine resistance to coffee rust in Haiti. Progress has been made to formalise arrangements with the Colombian seed providers, and to develop communications materials for all partners, including Nestlé.

Our investment in improving coffee trees through plant science comes largely through our R&D centre in Tours, France. It is key to quality and yields, so that farmers see coffee growing as an attractive, viable means of earning a living, ensuring a long-term supply of the right quantity and quality of green coffee on which our brands depend.

#### Decoding the DNA of the Robusta bean

A team of researchers from around the world, including scientists at the Nestlé Research and Development Centre in Tours, France, have sequenced the DNA of the Robusta coffee bean. This important step could lead to future developments to improve the bean's yield, quality and resistance to disease and drought, and to increase farmer incomes. Nestlé was the only private sector organisation to contribute to the study, which was led by the French Institute of Research for Development, the French National Sequencing Center and the University of Buffalo.

We also work with farmers on the ground, with our initiative to propagate and distribute plantlets. We plan to distribute 220 million high-yield, disease-resistant coffee plantlets to farmers by 2020 and in 2014, more than 29.8 million plantlets were distributed (2013: 21.4 million); this takes our cumulative total to 73.8 million.

We also intend to source 90 000 tonnes of green coffee that complies with [SAN principles](#) by 2020. Activity towards achieving this longer-term goal will start after 2015.

<sup>10</sup> Excluding the *Nespresso* AAA Program, etc.



## Nespresso AAA Sustainable Quality™ Program

Launched in 2003, in collaboration with the international non-profit organisation the Rainforest Alliance, the *Nespresso* AAA Sustainable Quality™ Program seeks to protect the highest quality coffees required to meet the strict quality and taste standards for *Nespresso* Grands Crus, while preserving the environment and enhancing farmer welfare.

By establishing long-term, direct relationships with more than 63 000 farmers in 11 countries, the AAA Program ensures traceability to farm level. A network of more than 300 dedicated agronomists works closely with farmers on the ground, training them on sustainable farming practices, improving quality, optimising farm productivity and, as a result, securing farmers' livelihoods through higher net incomes.

*Nespresso* was sourcing 82% of its coffee through its AAA Sustainable Quality™ Program at the end of 2014, with more than 280 000 hectares of farmland under our active sustainable management programme. *Nespresso* has committed to source 100% of its coffee from its AAA Sustainable Quality™ Program by 2020.

### The Positive Cup: Coffee sourcing

In August 2014, *Nespresso* announced a new sustainability strategy to improve farmer welfare and drive environmental sustainability in coffee sourcing and consumption over the next six years, backed by a CHF 500 million investment (including CHF 300 million in coffee activities). It sets out concrete steps that the company will implement to achieve its sustainability goals by 2020.

The new strategy, The Positive Cup, builds on the steps *Nespresso* has already taken over the last 11 years to provide the highest quality and most sustainable portioned coffee worldwide. During the next six years, it plans to source 100% of its permanent range of *Nespresso* Grand Cru coffees sustainably through its *Nespresso* AAA Sustainable Quality™ Program, including investing over CHF 15 million in three African coffee-producing countries: Ethiopia, Kenya and South Sudan (see below).

### The Positive Cup commitments to coffee sourcing

*Nespresso's* forward-looking sustainability approach incorporates ambitious goals in the areas of sustainable coffee sourcing and social welfare:

- Source 100% of its permanent range of Grand Cru coffees sustainably through the *Nespresso* AAA Sustainable Quality™ Program;
- Assist farmers to achieve high certification standards (e.g. in water management, biodiversity and fair treatment of workers) through our partners Rainforest Alliance and Fairtrade; and
- Pursue innovative solutions to farmer welfare, including the expansion of the AAA Farmer Future Program – initially through a [retirement fund](#) for farmers in Colombia.

It also involves commitments regarding the [collection and recycling](#) of used aluminium capsules, and resilience to [climate change](#).



Developing the strategy has been a two-year process, supported by external partners and experts in sustainability including Nestlé. The *Nespresso* Sustainability Advisory Board, which includes Rainforest Alliance, Fairtrade International, the International Union for Conservation of Nature (IUCN) and *Nespresso* brand ambassador George Clooney, has also provided a platform to discuss our plan, seek advice and be challenged.



Our sustainability approach has always been designed to do more than simply minimise impacts. The development of even more innovative programmes with our partners demonstrates our commitment to Creating Shared Value and generating positive impacts for all stakeholders across the entire value chain."

**Jean-Marc Duvoisin,**  
CEO, Nestlé *Nespresso*

### Farmer training

Training and technical assistance on coffee quality, farm productivity and sustainable agriculture to farmers are central to the AAA Program. Supported by local partners, *Nespresso*'s network of more than 300 agronomists trains and assists the farmers using a unique *Nespresso* methodology, the Tool for the Assessment of Sustainable Quality (TASQ™). This helps farmers meet Rainforest Alliance and Sustainable Agriculture Network (SAN) standards for social and environmental criteria, as well as *Nespresso* quality standards.

### Expanding the AAA Sustainable Quality™ Program in Ethiopia and Kenya

To help meet future demand, reduce poverty, enhance farmer welfare and progress towards sourcing all its coffee from the AAA Program, *Nespresso* is increasing its reach and impact in Kenya and Ethiopia. The supply chains there present challenges including farmer poverty, a lack of investment and environmental degradation. In addition, the local trading channels, through commodity exchanges or auction houses, inhibit direct relationships with farmers – a key component of the AAA Program.

But through access to the AAA Program, its unique end-to-end supply chain model, as well as training to improve yields and crop quality from our non-profit partner TechnoServe, the incomes of thousands of smallholder coffee farmers should increase:

- In Ethiopia, around 3 500 farmers in the Sidamo region have joined the AAA Program; they are given advice on good agricultural practices from local farmer trainers and practise in demonstration plots to apply their training. We hope to train 40 000 AAA farmers by 2020; and
- In Kenya, seven coffee co-operatives were selected for the AAA Program and 18 local farmer trainers recruited. More than 3 500 farmers have been trained since January 2014 and 600 farms were assessed to establish a baseline for future monitoring. We plan to provide farm-level agronomy training to 10 000 farmers, and buy 50% more coffee from Kenya, by 2020.

### Reviving coffee production in South Sudan

*Nespresso* became the first major coffee company to re-enter South Sudan in 2011, and the potential impact is significant. As its first major agricultural export, coffee could help to fuel rural development, providing much-needed income to coffee-growing communities, and helping to diversify the country's economy.

Despite the coffee industry being largely destroyed during the civil war – trees need replanting, farmers require basic equipment and commercial infrastructure needs developing – *Nespresso* collaborates with partner TechnoServe and the Ministry of Agriculture, Forestry, Cooperatives and Rural Development to revive coffee production through the AAA Program.

*Nespresso* has already invested about CHF 700 000 in the country over the last two years and will continue to do so through a CHF 4 million investment plan in the coming years. Focusing on Yei, currently the hub of coffee production, the programme aims to help 2 000 smallholder coffee farmers to improve yields and quality. This will be achieved by running a coffee-replanting programme, building centrally located wet mills, providing agronomy training, and developing commercial channels for sales and exports.

Even though local conflicts have slowed the project, three coffee co-operatives have been established, 300 farmers received support and training, and wet mills have been constructed, enabling *Nespresso* to buy about 10 tons of Robusta coffee in 2014. We also hope our investment will attract additional funding so that we can reach up to 9 000 farmers by 2020.



### Assessing our impacts

An impact study run by the [Centre for Regional Entrepreneurial and Coffee Studies](#) (CRECE), a non-profit independent monitoring organisation based in Colombia, demonstrated the significant benefits experienced by farmers in the AAA Program. More than 1 000 AAA farmers across the country were interviewed to measure the social, environmental and economic impacts of the programme. Compared to non-AAA farms, the study demonstrated that the AAA farms surveyed displayed:

- 22.6% better social conditions (quality of life, occupational safety and health);
- 52% better environmental conditions (agricultural practices, soil and water conservation, handling of chemicals); and
- 41% better economic conditions (market knowledge, land productivity, production costs, income).

The study also detailed the positive impact on income that the AAA Program had; AAA farm incomes were on average 46% higher, leading to economic stability and better social conditions.

#### Share of coffee sourced by *Nespresso* from its AAA Sustainable Quality™ Program (%)

2014	82 <sup>11</sup>
2013	84
2012	68

#### Number of farmers in the AAA Program

Year	Total AAA farmers	Additional farmers
2014	63 000	1 000
2013	62 000	9 732
2012	52 854	8 249
2011	44 605	3 917
2010	40 688	14 221
2009	26 467	3 371
2008	23 096	16 871
2007	6 225	3 800

## Cocoa

Cocoa, the most important ingredient in chocolate, is grown by more than 4.5 million farmers in remote rural regions, and Nestlé uses around 10% of the world's production. Major cocoa-growing countries include Côte d'Ivoire, Ghana, Brazil, Ecuador, Venezuela, Mexico and Indonesia.

This year, we purchased 400 000 tonnes of [cocoa](#). About a fifth of it was sourced through the Nestlé Cocoa Plan (see page 28), the aims of which are for farmers to enter cocoa farming as a livelihood of choice; to improve the lives of cocoa farmers and the quality of the cocoa we purchase; and for cocoa-growing communities to thrive. We are on track to source 100 000 tonnes (about 25%) of our purchased volume via the Nestlé Cocoa Plan by 2015.

We're working to create shared value in our cocoa supply chain, to improve the wellbeing and livelihoods of farming families and their children; to reduce the risks to long-term supplies; to reduce child labour; and to empower women in the cocoa sector.

## Supply chain issues

The root issue in cocoa farming is that with current farming practices, it offers low yields and limited incomes for smallholder farmers. Cocoa is grown in poor areas, with little infrastructure or investment in education, health, water and sanitation. The combination of these factors leads to farming families depending on children for some work on the farm, being unable to afford to send their children to school, and suffering poor hygiene due to lack of clean water and sanitation. Nestlé works with farmers and suppliers to tackle child labour and find solutions.

Child labour is a complex issue and gathering reliable evidence about attitudes and perceptions, as well as what's happening on the ground, is vital – but challenging. Therefore, we invited the Fair Labor Association (FLA) to help us to examine our cocoa supply chain in Côte d'Ivoire, where child labour is still a reality. The FLA believes that the Nestlé Cocoa Plan and our participation in other initiatives provides a good foundation, but also sees a need for increased monitoring and accountability throughout the various tiers of the supply chain. (Read more about our actions to [tackle child labour in the cocoa supply chain](#).)

Gender inequality and discrimination is also an issue in the cocoa sector. The contribution – both direct and indirect – of women in the supply chain often goes unrecognised, unrewarded and unrecorded. They perform many tasks, from planting seedlings and collecting cocoa pods to transporting, fermenting and drying the cocoa, but men often take responsibility for selling the cocoa, and the distribution of any financial compensation. And even when they combine this income with additional activities (such as growing other food crops), most women struggle to earn enough to maintain an acceptable standard of living.

Other barriers facing women include communities recognising male-only land ownership, the near absence of women in leadership or managerial roles in cocoa co-operatives, and a lack of health and safety awareness and access to training and protective equipment.

<sup>11</sup> In 2014, *Nespresso* increased the volume of AAA coffee it purchased. However, the percentage of AAA coffee declined due to the increased purchase of coffees from Africa, where the AAA Program is not yet well established. *Nespresso* has committed to purchase 100% AAA coffee by 2020, and is actively expanding the AAA Program in Ethiopia and Kenya to reach this target.

## The Nestlé Cocoa Plan

### Our commitment



### Roll out the Nestlé Cocoa Plan with cocoa farmers

### Our objectives

**By 2015** – Source 100 000 tonnes of cocoa through the Nestlé Cocoa Plan.

**By 2016** – Source 120 000 tonnes of cocoa through the Nestlé Cocoa Plan and complete the roll-out of our Child Labour Monitoring and Remediation System to identify child labour in all Nestlé Cocoa Plan co-operatives in Côte d'Ivoire.

**By 2017** – Source 150 000 tonnes of cocoa through the Nestlé Cocoa Plan.

The activities undertaken through the Nestlé Cocoa Plan, active in Côte d'Ivoire, Ghana, Ecuador, Venezuela, Mexico, Indonesia and Brazil, fall under three main pillars:

- Enabling farmers to run profitable farms;
- Improving social conditions; and
- Sourcing high-quality, sustainable cocoa.

Through training in better agricultural and environmental practices, distributing high-yield plants and supply chain traceability, we can improve the profitability of our suppliers and help secure a long-term supply of high-quality cocoa for our business, while addressing the issues surrounding children and women in the supply chain leads to better social conditions.

Underlying these pillars is a multi-stakeholder approach based on transparency and collaboration with partners.

## The pillars of the Nestlé Cocoa Plan

### Enable farmers to run profitable farms

- Higher yielding cocoa plants
- Farmer training
- Reward farmers for good quality cocoa

### Improving social conditions

- Eliminate child labour from Nestlé's cocoa supply chain
- Promote and facilitate school attendance

### Sourcing sustainable, good quality cocoa

- Ensure long term supply of good quality cocoa for our business
- Traceability down to farmer group
- Respect the environment and avoid deforestation

### Collaboration and transparency

Working with independent partners like the Fair Labor Association and UTZ Certified, to tackle child labour, improve cocoa farming and give transparency and credibility to the plan.



To ensure a sustainable supply of good-quality cocoa, we plan to continue increasing the amount of cocoa purchased through the Nestlé Cocoa Plan. In 2014, we purchased 91 801 tonnes of cocoa – 23% of our total – through the Nestlé Cocoa Plan (target: 84 000), and will increase this to 100 000 tonnes (about 25% of total purchases) in 2015.

We also aim to increase the share of this cocoa sourced from farms and plantations that meet the UTZ certification Code of Conduct for Cocoa standard, one of the largest sustainability programmes for coffee, cocoa and tea, and the Fairtrade certification standard. Around 88% of our 2014 cocoa was certified to UTZ or Fairtrade standards in 2014.

#### Global cocoa supply sourced via the Nestlé Cocoa Plan (%)

2014	23
2013	14.5
2012	11

#### Volume of cocoa purchased under the Nestlé Cocoa Plan (tonnes)

2014	91 801
2013	62 299
2012	46 000

### Training farmers

Globally, against an objective to train 25 000 cocoa farmers, we actually trained 45 833 cocoa farmers in better agricultural practices in 2014, using a variety of methods – including farmer field schools and farmer business training – to help improve farm profitability.

For example, in collaboration with Syngenta, Cargill and Olam, we're helping cocoa farmers increase yields and improve the quality of the crops through the appropriate use of crop protection products. Demonstration plots have been set up on a number of co-operatives, training modules for farmers developed, and applicators trained in the safe application, storage and handling of crop-protection products.

We're also educating farmers on good agricultural practices such as pruning, as without it, more leaves and branches can limit the growth of fruit, and make diseases harder to manage and contain.

### Creating Shared Value in cocoa-producing communities

Nestlé Ecuador is building sustainable and successful relationships with local communities through the three pillars of Creating Shared Value:

- **Rural development** – the Nestlé Cocoa Plan ensures the responsible sourcing of good-quality cocoa and improved the social, economic and environmental conditions for farmers and their families;
- **Water** – Nestlé Ecuador is improving water use efficiency in its factories and promotes reforestation to improve water quality and availability across the value chain; and
- **Nutrition** – the Healthy Kids programme addresses malnutrition among children by promoting a healthy, balanced diet and the use of nutritious, native ingredients.

Nestlé Ecuador is working on these mutually dependent areas. Framed by the Nestlé Cocoa Plan, the integration and extension of water and nutrition programmes at a farm level could be beneficial for cocoa-sourcing communities, as illustrated by two initiatives:

- Between 2009 and 2013, the Nestlé Cocoa Plan distributed 636 100 native cocoa trees. Through the Nestlé Let's Plant Water programme, two types of native tree have been provided: one to improve local biodiversity and one to bear fruit for local consumption. Over the last two years, 22 000 native trees were distributed to cocoa farmers, impacting 4 500 hectares of one of the world's most biodiverse areas. To ensure the sustainability of this strategy, environmental education is promoted in local communities.
- With a focus on cocoa-growing communities, Nestlé also raised awareness of the importance of food safety, balanced nutritional diets and the value of home-grown food through workshops, training (attended by 1 586 cocoa farmers) and with the provision of information and materials such as seeds.

### Fostering agripreneurship in Indonesia's cocoa sector

Through a multi-stakeholder collaboration, the PISAgro (Partnership for Indonesia's Sustainable Agriculture) Cocoa Working Group, Nestlé supports the development of a more sustainable cocoa production model in Indonesia.

We're helping smallholder farmers to become 'agripreneurs', with a more entrepreneurial and innovative spirit, coupled with improved efficiency. A public-private partnership, partly funded through the Nestlé Cocoa Plan, seeks to impact 10 000 cocoa farmers in West Sulawesi through training, information and advice, greater supply chain transparency and a demonstration farm. As well as being used as a centre of excellence for cocoa agriculture, the farm also facilitates Nestlé's cocoa cluster – a production area of up to 50 000 hectares – where new production and processing technologies can be introduced.

Since 2012, 170 field schools and demonstration farms, 50 nurseries and two training centres have been set up, and more than 4 000 farmers have received both theoretical and practical training. Productivity has already increased by 22% and in time, as the cocoa farmers produce their own seedlings, cocoa production in Sulawesi will become more sustainable.



**Cocoa farmers trained**

<b>2014</b>	<b>45 833</b>
2013	33 885
2012	27 000

**Number of high-yield, disease-resistant plantlets distributed**

<b>2014</b>	<b>1.60 million</b>
2013	1.06 million
2012	1.10 million

**Investing in plant and soil research**

Agronomic research into soil fertility, plant nutrition and the improvement of farming systems, as well as the distribution of cocoa plants, all have a major impact on the ability of cocoa farmers to grow more, higher-quality crops over the long term and thus secure a higher income. We continued to develop our [30-hectare experimental and demonstration farm](#) at Zambakro in Côte d'Ivoire, opened in December 2013, which will serve as a farmer training academy, and a plant research and propagation centre. We met our objective to distribute more than 1 million plantlets to farmers in 2014 and we propagated 1.6 million plants in Côte d'Ivoire.

**The Nestlé Cocoa Plan in Venezuela**

In Venezuela, we have faced a number of challenges in securing a reliable supply of some of the world's finest cocoa; these range from a decline in the quality of native cocoa plants to the limited appeal of agricultural work to younger generations. But through the Nestlé Cocoa Plan, we are helping to make cocoa production a livelihood of choice – one that leads to higher incomes and improved social conditions.

Six hundred farmers across the country's three main cocoa-producing regions are currently involved in the Nestlé Cocoa Plan. And since 2008, Nestlé Venezuela staff have made almost 6 130 visits to their farms, distributing high-quality plantlets and organic fertilisers, offering technical assistance and providing training in good agricultural practices such as pruning, which increases yield and restricts the spread of disease. On our demo plots, pod counts indicate an increase in average yield per hectare from 878 kg to more than 1 500 kg.

**Cocoa tree rejuvenation in Ecuador**

Considerable care is needed to preserve the distinctive cocoa grown in Ecuador; regular pruning achieves high yields and facilitates the harvesting of pods, but isn't often implemented across the country's cocoa production area. Over the years, cocoa trees have grown up to several metres in height yet average production is low.

To restore the economic viability of fine cocoa orchards, the Ecuadorian government established the Consortium Solidaridad Cacaotera to counteract dwindling productivity; guarantee sustainable production; and revive the livelihoods of cocoa families across the country. The government provides the framework for the project and, through the Nestlé Cocoa Plan, our regional technicians match this government service with our Cocoa Plan farmers and train them on good agricultural practices.

The project has three phases:

- **Pruning:** this phase includes the pruning of old trees and apprenticeships in pruning techniques. Only farms smaller than 10 hectares and plantations older than 10 years can participate in the programme, and receive a subsidy of USD 1 (CHF 0.99) per tree (pruning cost per tree = free pruning). From May 2013 to February 2014, 330 Cocoa Plan farmers pruned 1.48 million trees across 2 970 hectares;
- **Fertiliser:** fertilisers are distributed to the farms one year after the pruning phase. To date, 262 Cocoa Plan farmers have each received 2 700 kg of organic and synthetic fertilisers; and
- **Post-harvesting:** in the third year, training in good harvest and post-harvest practices is provided to the farmers, focusing on the preservation of the quality of the cocoa beans.

So far, production has already more than doubled from 300 kg/ha to 700 kg/ha, and we hope to exceed 1 000 kg/ha by 2021. Approximately 180 new farms will also be chosen by the Ecuadorian government to commence a new pruning phase.

**Building schools**

Building schools contributes to better social conditions and in 2012, we made a commitment to build or refurbish 40 schools over four years in Côte d'Ivoire, with most of these being built by the [World Cocoa Foundation](#) (WCF).

In 2014, we built or refurbished 17 schools with the WCF, enabling 2 908 children to go to school for the first time. This meant that we achieved our target of building or refurbishing 40 schools in four years a year early.

### Nestlé and IFRC continue partnership in West Africa

In October 2014, Nestlé renewed its long-standing collaboration with the [International Federation of Red Cross and Red Crescent Societies](#) (IFRC). We've worked together since 2006, with a particular focus on improving rural communities' access to water, and through our collaboration, 196 546 people in Côte d'Ivoire cocoa-growing communities have benefited from access to clean drinking water and sanitation. By renewing the agreement for a further five years, we plan to extend improvements in hygiene and sanitation in rural communities beyond Côte d'Ivoire into neighbouring Ghana.

Read more in the [Water](#) section.

#### Our objective

**By 2016** – Complete the roll-out of our Child Labour Monitoring and Remediation System to identify child labour in all Nestlé Cocoa Plan co-operatives in Côte d'Ivoire.

### Tackling child labour in the cocoa supply chain


At the suggestion of the FLA, we have created a Child Labour Monitoring and Remediation System (CLMRS) in the Nestlé Cocoa Plan supply chain in Côte d'Ivoire, where we work with 67 co-operatives.

The system covers awareness raising in local communities, gathering data about the circumstances of children in our supply chain, and providing cocoa farmers with the practical support and means to get their children back into school.

Our partner [International Cocoa Initiative \(ICI\)](#) trains members of the co-operatives, and also recruits and trains community liaison officers, who run the awareness-raising sessions and gather the data. Where issues are found and children are at risk, ICI, Nestlé and the co-operatives work together to find appropriate solutions. Such remediation includes:

- Helping children obtain the birth certificates they need to enrol in school;
- Providing their families with school kits and uniforms;
- Piloting projects to enable mothers of children at risk of working on cocoa farms to generate extra income by growing and selling cassava, covering the cost of school enrolment; and
- Looking at creating apprenticeship schemes, vocational training and literacy courses for children above school age.

This Child Labour Monitoring and Remediation System was rolled out to 14 co-operatives in 2014 (2013: eight), taking the cumulative total to 22; it will be extended to cover all 67 Cocoa Plan co-operatives by the end of 2016.

 **Read more about** [how the system works and its impact to date.](#)

As a requirement of our affiliation with the FLA, our supply chain is subject to independent assessments. During the cocoa-harvesting season in October to December 2013, the FLA conducted 10 unannounced independent external monitoring visits to five co-operatives in Côte d'Ivoire that supply us with cocoa via the Nestlé Cocoa Plan. The results of these visits were published together with our response to each finding, and any corrective actions taken.

The FLA will repeat this process each year, randomly selecting co-ops for independent external monitoring and publishing the reports with our actions. Three co-ops and one middleman were assessed in 2014.

We will not be able to address all the root causes of child labour alone, but through the CLMRS, we are able to better understand the extent of the problem and better positioned to work with the government, local stakeholders and other businesses to address it.



The use of child labour in our cocoa supply chain goes against everything we stand for. As the Fair Labor Association report makes clear, no company sourcing cocoa from Côte d'Ivoire can guarantee that it doesn't happen, but what we can say is that tackling child labour is a top priority for our company."

**José Lopez, Nestlé's Executive Vice President for Operations**

Read more about the [Nestlé Commitment on Child Labour in Agricultural Supply Chains](#) and our [action plans to address the issue](#) in the supply chains of key commodities.

## Gender equality

Nestlé believes that women empowered with more life opportunities, knowledge and skills raise healthier families, which leads to more children going to school, rather than working on the family's cocoa farms. Our [commitment to gender equality](#) includes supporting the UN Every Woman Every Child initiative, signing up to the UN Women's Empowerment Principles, and exploring how we can do more to improve the lives of women in our supply chains.

We work with our supply chain partners to collate data about the situation of women in our cocoa supply chain, and look for opportunities to improve equality of opportunity, initially focusing on women in decision-making positions and women farmers in co-operatives.

### Empowering women in the cocoa supply chain

To enhance our understanding of the role women play in the cocoa supply chain, the risks and obstacles they face, and their potential role in improving labour conditions, we asked the FLA to generate a specific gender report, when assessing working conditions in our cocoa supply chain in Côte d'Ivoire.

To analyse women's roles more specifically, in 2013, the FLA team conducted an additional 370 interviews, including individual interviews with 244 rural women in cocoa-producing communities. The [resulting report](#) assesses the roles of women, describes the unique risks they face, and makes recommendations on how to improve conditions for women, covering the encouragement of equal opportunities among co-operative members; registering cocoa farms under both a producer's name and that of his wife; ensuring women can purchase cocoa seedlings and access personal protective equipment; making training sessions more welcoming for women; and establishing ways for women to redress grievances.

These recommendations were used to update [Nestlé's Action Plan on Women in the Cocoa Supply Chain](#), originally published in April 2013. This revised action plan, released in August 2014, outlines our vision to empower women for better livelihoods and to eliminate child labour in Nestlé's supply chain. A [further update](#) detailing progress made between August 2014 and January 2015 has also been published.

We understand that there are no easy answers, that this will be a learning process and that all stakeholders need to play their part. Nonetheless, we have committed to act in three key ways:

- **Promoting equal opportunities:** Working with our suppliers, we have organised training on gender issues for co-operatives in the Nestlé Cocoa Plan in Côte d'Ivoire and our suppliers' field staff. The aim of the training sessions – first held at our [demonstration farm at Zambakro](#) – is to challenge people's perceptions, explore ways to help them overcome barriers, set up action plans, and open up roles to women such as lead farmers, nursery managers, co-operative managers and community officers workers. We held training sessions with members of four co-operatives in 2014, each of which produced an action plan; we intend to extend our training to reach a further 20 co-operatives during 2015, and all co-operatives by 2017. We also encourage co-operatives to select women to lead Nestlé nurseries growing cocoa

plantlets. Of our 32 nurseries, 23% are now led by women, up from 3% in the previous season;

- **Giving women a voice:** With a view to further expansion in time, we commissioned the FLA to work with two women's associations in 2015, to create a point of contact and a platform through which women can engage with each other, local authorities and Nestlé. The opportunity for dialogue could be used to voice their concerns and explore issues such as personal protective equipment for women; grievance, counselling and support services; literacy; and access to credit; and
- **Helping increase their income:** We will encourage the distribution of cocoa plantlets to women, and access to training. We are also helping them to produce other food crops, both for household consumption and for sale, initially focusing on cassava with one of our suppliers, Olam. High-yielding cassava varieties are being made available to more than 2 000 women by 2016 and two cassava nurseries have been established; we will track incomes over time. Income-generating activities aimed at women in all our co-operatives, a core part of our Child Labour Monitoring and Remediation System (CLMRS), are supported by a specialist recruited by the International Cocoa Initiative (ICI) as well as staff from ANADER, Côte d'Ivoire's national rural development agency. So far, we have assisted 312 women in 16 women's groups, and intend to roll out similar income-generating activities to a further 45 co-operatives in 2015. This crop diversification programme has been accepted for inclusion in the [Cocoa Livelihoods Program](#), the World Cocoa Foundation-led initiative to double the income of approximately 200 000 smallholder cocoa-farming households in Central and West Africa.

We are also working actively with other companies within the World Cocoa Foundation's [CocoaAction](#) strategy to agree on sector-wide activities that improve training, determine appropriate key performance indicators and agree on priorities for working with governments. Two stakeholder convenings, one in Côte d'Ivoire and one in Ghana, are planned for 2015.

Watch a [video](#) on how Nestlé's Cocoa Plan is empowering women in Côte d'Ivoire.





## Dairy

Dairy is the single biggest category for us in terms of volume, with 14.2 million tonnes of fresh milk equivalent bought in 2014, through [Farmer Connect](#) and sourced from [Tier 1 suppliers](#).

We use milk and milk derivatives as ingredients in a range of our products, including ice cream, beverages, confectionery, infant nutrition and culinary products.

### Supply chain issues

We recognise and share the concerns of our [stakeholders](#) about sustainable animal production systems. The safety and quality of raw materials are best achieved through healthy animals. Safeguarding animal health and welfare is therefore an integral part of well-managed farms and [material](#) to our business. So, as with [meat, poultry and eggs](#), we cooperate with our dairy supply chain partners and other stakeholders to support the long-term economic, environmental and social viability of animal farming systems.

In Pakistan, for example, we provide expert technical support through offsite courses and workshops that cover recommended practices for dairy animal health and welfare, and our two demonstration dairy farms in the country incorporate animal care into the training programme for local farmers. Three other demonstration farms, linked to our new [Dairy Farming Institute](#), are also vital for making clear links between animal health and welfare, milk production and dairy cow longevity in China. [Advice, training and assistance](#) covering animal welfare are also available through programmes in Latin America.

### Fresh milk: Our milk district model

Assuring a regular supply of high-quality fresh milk means working in true partnership with local farmers. This is the essence of our milk district model, first used in the 1870s and currently operating in 29 countries including Brazil, Chile, China, India, Mexico and Pakistan. This approach is an integral part of our [Farmer Connect](#) programme, helping us develop shorter, more sustainable supply chains and driving positive change through direct relationships with farmers and farming communities.

Nestlé sourcing staff and supply chain support work in the field to support about 393 000 dairy farmers supplying our factories directly, many of which are located within our milk districts. With close links to farmers around the world, Nestlé can provide facilities to support rural development through its supply chain.

Nestlé milk districts benefit milk farmers and their families, and Milk and milk products play an essential role in the nutrition of consumers, serving as an important source of energy, protein, calcium, magnesium and phosphorus, as well as many essential vitamins and trace minerals. Milk not only contains a good quantity of protein, but the nutritional quality of its protein is also first-rate.

Sourcing safe, high-quality milk, a key ingredient, is a chief priority, and procurement from farmers and co-operatives makes traceability easier. To ensure quality, we have an assurance plan with training and manuals detailing good farm practices for each district; farms are assessed regularly to ensure that requirements are met.

### How the model works

Farmers supply milk daily to our collection centres, directly to our factories, or to contracted third parties. In many cases, we collect milk in trucks that go around to small dairy farms. The price paid varies according to the quality of the milk. As milk is highly perishable, we may also provide the storage and cooling infrastructure needed to maintain a constant supply of high-quality milk to our factories, many of which are located in the heart of our milk districts.

This model brings us close to the farmers who we rely on for quality milk – from small-scale producers supplying us with less than five litres a day, to large dairy farms supplying thousands of litres – and means we understand the practical problems that affect their businesses, and ours, over the long term. Each farming environment has a different set of individual, regional or national characteristics and challenges, so we don't impose a one-size-fits-all approach; whatever the context, the long-term relationships we build with farmers enable us to identify the issues and work together to resolve them.

These challenges influence quality milk supply, responsible sourcing and environmental sustainability – and matter to the millions of people whose livelihoods depend on dairy farming. But our approach means that whether it's an individual farmer with one cow in Sri Lanka or a large farming business in the USA, every single litre of milk we purchase, from anywhere around the world, will meet our stringent quality and safety standards.

### Global Good partnership to help East African dairy farmers

Nestlé and [Global Good](#), a collaboration between Bill Gates and Intellectual Ventures, announced [Clinton Global Initiative](#) (CGI) Commitments to Action, as part of a two-year partnership, at the CGI's 2014 Annual Meeting in New York. Established by former US President Bill Clinton, CGI convenes global leaders to create and implement solutions to the world's most pressing challenges.

The agreement, which supplements our partnership work with the East African Dairy Development Project, will focus on increasing the agricultural productivity of smallholder dairy farmers in the region through technology innovation. Nestlé and Global Good will undertake field work to identify deficiencies and bottlenecks in the rural dairy value chain, and how technical innovation can be applied to improve the efficiency, quality, health, nutrition and sustainability of smallholder dairy farming.

In particular, we are looking to expand the use of a specially designed milk container, [Mazzi](#), to help smallholder farmers improve the milk collection and transport process, maximise the quality and quantity of milk they sell, and reduce spoilage and spillage. Mazzi is a durable, food-grade plastic container with a wide mouth and detachable funnel. Its secure lid prevents spills and allows for easy transportation by hand, bicycle or cart from farms to local collection or chilling stations. Once emptied, Mazzi's smooth interior surface is also easy to clean for re-use.

## Our milk district model

# Our fresh milk is collected using our milk district model

First used in the 1870s in Switzerland, this involves the provision of:

- 1 Milk collection operations that monitor quality and safety from farm to factory**

**12 100**

Nestlé sourcing and supply chain support staff work in the field



- 3 Transportation and infrastructure**

We ensure a secure route to market. This includes the storage and cooling facilities needed to keep milk fresh



- 5 Prompt payment to farmers**

Farmers provide us with anything from less than 5 litres to more than **5 000** litres of milk per day



- 2 Technical, animal husbandry and veterinary support**

Technical assistance schemes for dairy farmers are present in 26 out of the 29 countries where we source fresh milk

- 4 Financial assistance**

Farmers benefited from a total of CHF **46 400** 36 million of financial assistance in 2014

## Creating Shared Value in milk districts

Value for Nestlé	Value for farmers	Value for rural communities
<ul style="list-style-type: none"> <li>Quality, safety, volume growth, cost efficiency.</li> <li>Regular, long-term, local supply.</li> <li>Close links with local farmers.</li> <li>Continuously enhancing farming practices and standards.</li> </ul>	<ul style="list-style-type: none"> <li>Regular income.</li> <li>Secure route to market.</li> <li>Access to local infrastructure for collection, storage, chilling and transport.</li> </ul>	<ul style="list-style-type: none"> <li>Milk factory opportunities: employment, training, personal development.</li> <li>Indirect employment and economic activity (local contractors, agents).</li> </ul>



**Number of countries using Farmer Connect for fresh milk**

<b>2014</b>	<b>29</b>
2013	31
2012	31

**Amount of fresh milk purchased (million tonnes)<sup>12</sup>**

<b>2013</b>	<b>7.1</b>
2012	7.2
2011	7.2

**Number of dairy farmers directly supplying Nestlé**

<b>2014</b>	<b>393 000</b>
2013	413 500
2012	456 357

In our Farmer Connect programme for dairy, we frequently make use of the [RISE evaluation method](#) to assess sustainability of farms and address any gaps identified. Based on these farm-level RISE assessments, we know the wide variety of challenges affecting dairy farming and sustainable milk supply. As well as farm animal health and welfare, RISE includes waste management, fodder production, energy consumption and managing water supplies, and environmentally harmful emissions of ammonia and methane.

**Advice, training and assistance**

The expertise and dedication that make it possible for us to assist on quality and other issues comes from 12 570 Nestlé sourcing staff and supply chain support staff working in the field worldwide. Their knowledge and relationships with small-scale dairy producers and co-operatives help build a responsible milk supply chain, from farm to factory. The assistance we offer our dairy farmers ranges from direct technical advice on silage and fodder production to linking up with local veterinary services.

The advice and assistance can often take place outside the farm gates. In Brazil, for example, we set up a toll-free hotline to provide assistance to producers in 2012. Trained advisors address milk suppliers' requests, questions and complaints quickly and efficiently, leaving field supervisors free to focus on activities on the farm. Nearly all callers (97%) surveyed in March 2014 were satisfied with the service. In addition, milk supply 'loyalty contracts' between Nestlé Brazil and dairy farmers were piloted. Through *Programa Aliança*, loyalty is rewarded through an incremental price incentive, which improves trust and facilitates collaboration.

In some cases, we also provide access to finance to enable farmers to expand their operations. In 2014, around 46 400 dairy farmers benefited from a total of CHF 36 million of financial assistance.

**Technical assistance schemes in fresh milk markets worldwide (% of countries covered)**

<b>2014</b>	<b>89%</b>
2013	87%
2012	87%

**Total financial assistance provided to dairy farmers (CHF million)**

<b>2014</b>	<b>36</b>
2013	47.6
2012	32.8

**Number of dairy farmers benefitting from financial assistance**

<b>2014</b>	<b>46 400</b>
2013	45 200
2012	42 447

**Calf management in Sri Lanka**

Nestlé's Calf Management Programme in Sri Lanka is helping to promote the growth rate of calves, which may lead to earlier and higher milk production. Calves in Sri Lanka are often underweight because of inappropriate feeding practices, so they are more vulnerable to disease, and experience weaning and gestation much later, delaying milk production.

Supported by the Government Animal Production and Health Department, Nestlé implemented a Calf Management Programme to enhance productivity through improved farm animal health and welfare. Thirty-one farms and 50 healthy calves under three months old were selected for the programme in March 2014. In training sessions and workshops, farmers were taught the principles of calf management and best farming practices, such as gradually replacing milk with hay, fresh grass and concentrate feed during weaning. Between May and September 2014, the calves' average weight rose from 40 kg to 95 kg, and their average growth rate reached 450 g/day. By halving the weaning time and doubling their daily weight gain, the time it takes to reach gestation could be reduced by a year.

<sup>12</sup> Nestlé's milk report for 2014 is published in April 2015, which falls out of scope of the 2014 CSV reporting cycle. The 2014 figure for amount of milk purchased will be published in the 2015 CSV report.

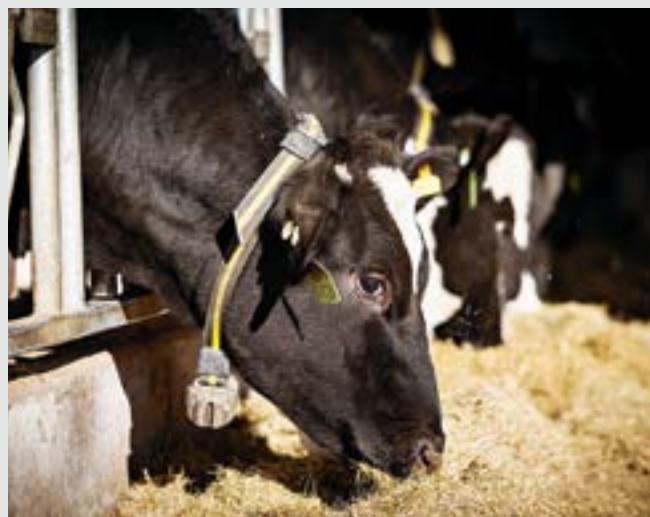
## Developing the dairy farming sector in China

Guided by national and local government dairy policies, we have been systematically investing in our three milk districts in China, helping to transform the rural milk industry and improve productivity to meet the country's rising milk demand in a sustainable manner. In one of these districts – Shuangcheng in Heilongjiang Province – we have further enhanced the foundations for sustainable development with the inauguration of our new Dairy Farming Institute in northeast China.

Through partnerships with leading domestic and international universities, local government, farmers and dairy professionals, this state-of-the-art training facility in Heilongjiang Province – inaugurated in October 2014 – will provide world-class training on modern dairy operations and animal husbandry. Supported by the Institute's three demonstration farms, more than 700 dairy farmers and farm managers a year will receive practical training and hands-on experience to improve their farm management skills, learn how to use the latest technology and expand their businesses.

The first phase of training is being jointly delivered by experts from the University of Wisconsin. Focusing on milk cow feed formulation, the participating managers will gain a better understanding of their role and responsibilities with regard to farm animal welfare, dairy cow nutrition and farm management.

As well as providing practical lessons and tools for everyday use, the training will build capacity, support the transfer of knowledge to other employees, and ensure good practices – including those related to farm animal health and welfare – are applied across the sector.



“

Milk is becoming a vital part of the Chinese diet, so the institute represents our commitment to helping China move its dairy sector to the next stage of development in a sustainable and efficient manner.”

**Hans Joehr, Head of Agriculture, Nestlé**

See an [infographic](#) showing how the new institute fits into our milk district model.

“

The inauguration of the Nestlé Dairy Farming Institute and the launch of dairy training mark an important step for Nestlé, to further promote the modernisation and large-scale development of the dairy farming sector in Heilongjiang Province and across the country. The Institute is open to the entire industry, to share knowledge, experience and technology with everyone to achieve common development.”

**John Cheung, Chairman & CEO,  
Nestlé Greater China Region**

## Procurement of milk derivatives

Nestlé buys a lot of different derivatives such as whey protein, lactose, cheese and milk powders. They are used in many applications including healthcare products, beverage mixes, ready-to-drink milk and infant formula.

The best raw materials are vital in products for [mothers and infants](#). Infants and young children are far more sensitive to contaminants because their organs and immune systems are not fully developed, and their diets are less varied than those of adults. While infant nutrition is tightly regulated around the world, guidelines and requirements differ between countries. But we often go beyond local legislation: the dairy-based ingredients we use in our baby food must comply with our own global standards, among the strictest in the world, and must be 100% traceable.

Independent auditor SGS is our implementation partner for dairy products, as well as [meat, poultry and eggs](#). It conducts farm assessments in our suppliers' upstream supply chains against our Responsible Sourcing Guideline, with a focus on farm animal welfare, labour practices and environmental impacts. SGS started assessing our dairy supply chains in Europe in November 2013, using the Responsible Sourcing Assessment protocol we developed with [World Animal Protection](#). It was then extended across Oceania, North America and Europe in 2014.

In 2014, 156 dairy farm assessments were carried out worldwide, and found issues ranging from inappropriate dehorning procedures to issues concerning legal compliance with regard to the labelling of animal feed. SGS assessed 50 farms on the South Island of New Zealand supplying Fonterra, the world's largest dairy exporter. The country has some of the highest standards of dairy farming practice, so SGS did not find many areas for improvement. In parallel, as an example in the USA, animal welfare has been subject to several NGOs and civil society campaigns. One of our suppliers, Leprino, a major dairy supplier operating mainly in the Americas, was impacted by such a campaign and reacted positively by creating a Farm Animal welfare policy and making it applicable to its entire supply base.

Some of these assessments were attended by World Animal Protection representatives, whose role is also to support Nestlé in training SGS auditors on animal health and welfare issues. Three training sessions were delivered to 30 SGS auditors in 2014, covering Nestlé's RSG requirements and the assessment process, conducted by our Global Procurement team, as well as a second session delivered by World Animal Protection on farm animal welfare. We are gradually implementing our [Responsible Sourcing Guideline](#) and category-specific requirements along our global supply chains. These reinforce our specific commitments on farm animal welfare, and cover breeding, feeding, housing and husbandry, health, transport and slaughtering.

By the end of 2014, we had made good progress:

- 35% of our global volume was [traceable](#) back to farm level, well ahead of our interim target of 15%; and
- 27% was [Responsibly Sourced](#) (annual target: 8%)<sup>13</sup>.

 **Read more about [farm animal welfare](#).**

## Palm oil

We bought around 445 000 tonnes of palm oil in 2014 – around 1% of the global production – from a number of processing companies that source oil from Malaysia, Indonesia and other countries.

It is mainly used as a cooking oil and as an ingredient in food categories such as confectionery and culinary.

## Supply chain issues

The palm oil supply chain is notoriously complex and often opaque. Also, because palm oil is a traded commodity, economies of scale and logistics underpin the trade, and solutions that make logistics more complicated and costly are not viable. Very low margins at refinery levels mean that some suppliers are hesitant to incur the additional costs associated with greater transparency.

Smallholders are responsible for 40% of the world's palm oil production. They are essential to long-term sustainable production and supply, but are barely impacted by any transformation in the sector. Productivity remains low and social issues, from forced labour to health and safety, are prevalent. In addition, it's costly and bureaucratic for smallholders to get their oil certified. We recognise the need to develop a more inclusive approach to responsible sourcing and provide the smallholder farmers, from whom we source palm oil, with technical assistance and training, and facilitate the sharing of best practices within the local community. We are not alone within the industry in recognising this.

Deforestation is a major environmental issue that has long been associated with the palm oil supply chain. Rising consumer demand means tropical rainforests and associated peatlands have been cleared to make way for plantations, which contribute to greenhouse gas emissions, soil erosion, water pollution

and a loss of biodiversity; working conditions and land conflicts over tenure rights are also an issue. Many NGOs actively campaign against unsustainable practices.

In 2010, Nestlé made a [No Deforestation commitment](#), stating that all of its products, globally, will not be associated with deforestation. This commitment was the first of its kind by a food company, and covers all the raw materials we use to make our products, as well as our packaging, making traceability and transparency crucial. A significant number of traders and manufacturers have since followed our lead and developed sustainable palm oil policies and 'no deforestation' commitments of their own.

 **Read more about [deforestation](#)**

## Verification and certification

Our category-specific requirements for palm oil require our suppliers to source oil from plantations that:

- Comply with local laws and regulations;
- Do not come from areas cleared of natural forest after November 2005;
- Respect the free, prior and informed consent of local and indigenous communities;
- Protect high-carbon-value forests;
- Protect peatlands; and
- Comply with the principles and criteria of the [Roundtable on Sustainable Palm Oil](#) (RSPO), the industry-wide certification body that promotes the growth and use of sustainable palm oil products.

Our Responsible Sourcing Guideline (RSG) also goes beyond the RSPO standard by making explicit provisions for the protection of peatland and high-carbon forest, which are critical in combating deforestation, and preventing social conflict arising from potential land rights and acquisition disputes.

By September 2013, we had met our ambition to source 100% RSPO-certified palm oil, two years ahead of our [public commitment](#). This includes RSPO segregated (16%) and Green-Palm certificates (84%), which we have now decided to phase out (see below).

## Supply chain assessments

Nestlé is working with its suppliers towards plantation-level traceability for all our products, but there has been a lack of available information across the palm oil supply chain. In 2014, we created, piloted and deployed our Traceability Declaration Document (TDD), which suppliers complete quarterly to declare the supply chain linked to our products. While information gaps remain, the TDD does allow for unprecedented transparency and facilitates discussions with suppliers to address those gaps.

The information obtained is used to determine which mills and growers are prioritised for assessments, so that we can

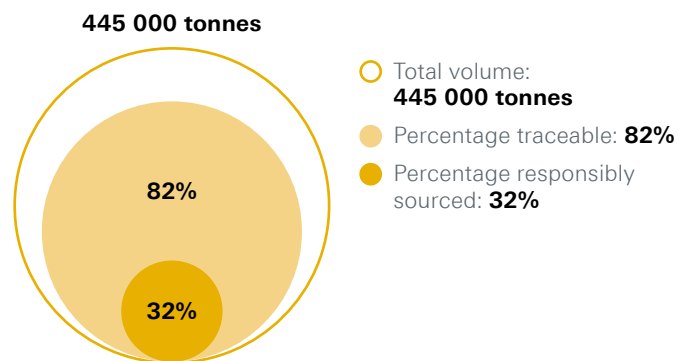
<sup>13</sup> Only dairy ingredients are in scope. Around 7.1 million tonnes of fresh milk equivalent through Farmer Connect is excluded.

better understand their practices and provide ways to strengthen policies, systems and practices against our RSG. Explaining the new form to all our suppliers, as well as the collation and verification of the data, has been time-consuming, but it is a necessary first step to reach our ultimate goal of having our entire supply chain compliant with our RSG.

At the end of 2014:

- 82% (2013: 51%) of our global volume (445 000 tonnes) was [traceable](#) back at least as far as the mill in the country of origin, against an annual target of 90% (13% was traceable back to plantation); and
- 32% (2013: 19%) was [Responsibly Sourced](#) (annual target: 50%); this means it is traceable to a plantation that either meets our standards (11% 'compliant oil') or at least engaged in continuous improvement (21% 'action plan oil').

#### Palm oil supply chain traceability results



While the task is not easy, we remain determined to collaborate with others to make progress towards our next goals: 95% traceable and 70% Responsibly Sourced palm oil by 2015.

Together with The Forest Trust (TFT), we have made major progress in engaging with leading suppliers – notably Sime Darby, Wilmar, Cargill and a collaboration between Golden Agri Resources (GAR) in Indonesia and Oleo-Fats (Philippines) – that have established traceable supply chains that are also assessed against the Responsible Sourcing Guideline. For example, Florin AG, based in Switzerland, has established its own Palm Oil Sourcing Policy that aligns with our own – all the oil it purchases is traceable, RSPO certified and deforestation-free.

#### GreenPalm certificates

We have almost reached our newly stated, more ambitious target for increased traceability and supplier engagement. However, we also recognise that until traceability becomes feasible for all supply chains, including for complex blends of palm-based derivatives, [GreenPalm certificates](#) have had a role to play in supporting producers of certified sustainable palm oil.

Since 2010, we have used RSPO GreenPalm certificates to offset our purchases of palm oil and contribute to the development of best practice in the palm oil industry. This mechanism has helped us to demonstrate our sustainability commitments to suppliers, plantation owners, customers and consumer communities. But it was always a temporary solution while we identified palm oil origins and started to assess and help to remediate the root causes of deforestation and poor labour conditions.

We have now reached a point where, for much of the palm oil volume we source, the origin is known so we must refocus our resources on tackling the key issues we have identified, while mapping our supply chains. Therefore, from January 2015, we started to phase out the buying of GreenPalm certificates for the palm oil that is traceable back to the mill and began diverting resources to partnership activities to support palm oil smallholders.

As a first step, Nestlé will fund Rurality, a key initiative started by TFT that aims to engage with smallholders, identify scaleable improvement opportunities and build a train-the-trainer model that facilitates the sharing of best practice. As Rurality develops, we will align it with our Rural Development Framework and in 2015, our activities will focus on five countries of origin.

#### Project RiLeaf: Protecting biodiversity near palm oil plantations

Since June 2011, Nestlé (Malaysia) Berhad has been attempting to reforest 2 400 hectares of land along the lower Kinabatangan River in Sabah. Project RiLeaf is seeking to provide a natural buffer to filter pollutants such as soil sediments and chemical fertiliser run-off so that the river has a chance to repair itself over time. Working with various NGOs and state government agencies, and supported by an investment of more than CHF 500 000 from the Sime Darby Foundation, the project has planted 223 000 forest seedlings in three-and-a-half years. This is helping to regenerate the river and support capacity building within the local communities.

Two years later, we started Project UpLeaf, a partnership with The Wild Asia Group Scheme for Small Farmers (WAGS) and Solidaridad to create positive engagement, share knowledge and resources, and promote the growth of sustainable palm oil production among independent smallholders. In November 2014, a group of 36 smallholders received Certified Smallholder Sustainable Palm Oil (CSSPO) status. Using the same model, we will extend our reach to 150 smallholders over 500 hectares in 2015, and look to further expand up to 1 000 smallholders across 6 000 hectares by 2018.

[Read our latest palm oil progress report.](#)



## Pulp and paper

Nestlé bought 1.3 million tonnes of pulp and paper in 2014, much of it from paper mills, converters and packaging manufacturers in Europe, Brazil, China, India, Indonesia, Malaysia and the USA. We use it for food packaging, wrapping and transportation, although we also need paper for office stationery and marketing materials.

Well over 35% of the pulp and paper Nestlé uses involves recycled materials. Recycling in the pulp and paper industry is well established but food safety, quality and physical properties prevent us from using 100% recycled material. Recycled material is considered not to add to deforestation, so we do not map and assess the upstream recycled supply chain for the same concerns as would be the case for 'virgin' pulp and paper.

### Supply chain issues

Deforestation is still a widespread issue and instances of poor forest management and the loss of High Conservation Value (HCV) areas still remain a challenge. Therefore, our work with suppliers and partners to map supply chains, assess suppliers against our requirements and, where necessary, develop action plans remains crucial.

 **Read more about** [deforestation](#).

### Traceability

Through our partnership with The Forest Trust, we began mapping and assessing the supply chains of more than 260 paper and board suppliers across Europe and a number of high-priority countries (Brazil, China, India, Indonesia, Malaysia and the USA) in 2011. This is continuing in three phases:

- 2011–2015: USA, Europe, Brazil, China, Indonesia, Malaysia, India;
- 2013–2016: Thailand, Vietnam, Central West Africa; and
- 2015–2017 (planned): Chile, Japan, Taiwan, Mexico.

### Progress in Europe

Our European Procurement team helped to create the Responsible Sourcing Guideline for pulp and paper in 2011, outlining our commitment to ensuring that the wood fibres we use for cartonboard and paper packaging are traceable and responsibly sourced. The Fibre Packaging Procurement Team also developed a self-assessment tool to help paper and board producers show supply chain transparency.

Mapping the supply chains of more than 200 paper and board suppliers, this initial request for information received a 100% response rate, covering all the paper-based packaging used in Nestlé factories in Europe, while The Forest Trust (TFT) started providing verification of fibre supply chains and forest practices. TFT's support also involves engaging with Nestlé buyers and suppliers, assessing the environmental and social performance of processing sites and forests, formulating practical recommendations and monitoring their implementation.

The exercise was repeated in 2013 but this time, it was extended to include all European co-packers and co-manufacturers that used paper packaging for Nestlé products – a significant step towards eliminating unwanted fibre sources from our supply chains. Once again, Nestlé Europe received a 100% response rate, giving us 100% fibre supply chain visibility for our paper packaging in Europe. We also continue this work in all other priority countries.

Supplier scorecards are used for direct engagement with suppliers, and time-bound action plans by suppliers with lower scores have been received and are being monitored. Nestlé local markets have reacted positively to the approach, which emphasises sustainable forest management and environmental management in general rather than paper certification.

Based on environmental emissions data collected in 2011, suppliers with below-average scores were challenged to submit development plans; as a result, CO<sub>2</sub>/GHG emissions and waste to landfill values fell significantly (see chart above). However, in 2013, suppliers were asked to include emissions from purchased pulp as well as their own emission values, so water pollution from bleaching and organic water pollution increased. We expect these values will show improvement at the next assessment.

### Verification and certification

As well as focusing on [deforestation](#) and virgin fibre, our category-specific requirements for pulp and paper, developed in conjunction with TFT, require:

- Adherence with local and national regulations and laws;
- Protection of high-carbon-stock forests;
- Protection of High Conservation Value (HCV) sites; and
- No development on peat, regardless of depth.

While focusing initially on virgin fibre, the Responsible Sourcing Guideline reinforces Nestlé's specific commitments on deforestation and forest stewardship, rural development and water stewardship.

As the Forest Stewardship Council (FSC) – an international NGO dedicated to promoting responsible management of the world's forests – best meets Nestlé's criteria for credible certification, we also use FSC certification to demonstrate compliance.

### Supply chain assessments

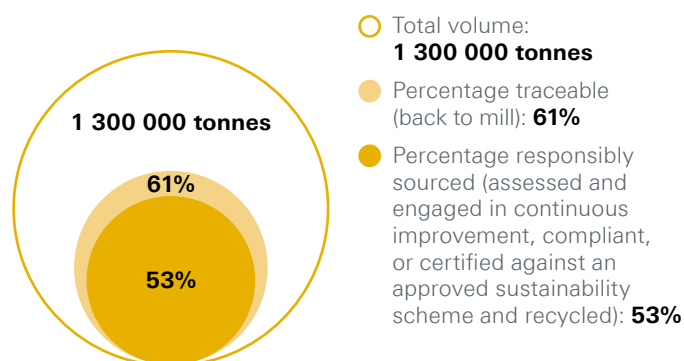
As a result of engaging with paper mills, converters and packaging manufacturers, and 142 visits to our suppliers' sites by December 2014:

- 61% of our global volume is now [traceable](#) back to the forest (annual target: 60%), although it varies from market to market; and
- 53% of our global volume is [Responsibly Sourced](#) (annual target: 60%).



We aspire to source only pulp and paper that meet our 'no deforestation' requirements, or at the very least from suppliers that are making measurable progress to meeting them. When companies in our supply chains do not comply and/or are not willing to engage/change, we take, and will continue to take, necessary measures to exclude them from our supply chains, monitoring progress to determine whether to engage with them again or not (see below).

#### Pulp and paper supply chain traceability results



#### Engaging with suppliers to address deforestation

As a large buyer of a range of commodities, we are rarely in a position to focus our procurement resources on those suppliers that already meet our requirements. Our approach, therefore, is to help existing suppliers to reach our standards. We realise that this may take some suppliers several years to achieve.

Our experience is that certain suppliers are unwilling to engage with us and our partners. If we are unable to convince them, we reluctantly take the decision to gradually reduce our purchases from them while focusing our procurement on those suppliers that are making progress. Ultimately, we may stop sourcing from a supplier, but this is very much a last resort as we lose any ability to engage and influence them.

We do, however, leave the door open for dialogue and for suppliers to re-enter our supply chain if they take steps to meet our requirements. In a fast-changing world, we have several cases of companies that have been the target of NGO campaigns that have made commitments to no-deforestation and demonstrated genuine efforts to change. Nestlé is ready to support such companies.

Read our latest [pulp and paper progress report](#).

## Soya

Three key locations – USA, Brazil and Argentina – account for approximately 80% of the world's soybean production. We procured around 380 000 tonnes in 2014 and, mirroring global production, much of it came from these countries.

The bulk of the soya products we procure are used in pet food – therefore, Nestlé Purina PetCare leads our responsible sourcing activities in this area, along with our delivery partner [Proforest](#).

#### Supply chain issues

The loss of High Conservation Value (HCV) areas is a risk in certain soya-producing regions where the widespread conversion from woodland and grasslands would continue unabated without the protection of legislation or other initiatives.

To ensure that soya sourcing only takes place outside HCV areas, and where there is a low risk of non-compliance with our Commitment on Deforestation and Forest Stewardship, we work with Proforest to identify, categorise and maintain high-risk zones. In the Cerrado area of Brazil, for example, we only source products from land that has not been converted from HCV areas to other land use.

We also remain vigilant to the potential for soya to enter our supply chain from deforested areas.

Read more about [deforestation](#).

#### Traceability

Having developed and finalised our category-specific requirements for soya with the assistance of Conservation International, we then began to implement them, working with Proforest to map our supply chains, assess them and, where necessary, develop action plans.

Our initial focus, given the volumes bought and the sustainability risks involved, was to understand the supply chains originating in Brazil and Argentina, both in terms of domestic use and export to Nestlé operations, and begin site assessments in those countries. In 2014, we also began to engage with our US soya suppliers.

#### Sourcing and traceability challenges

The soya supply chain is extremely complex, making traceability to the grower impossible in some cases; this has required us to switch suppliers and cancel assessments in Brazil.

Our performance in 2014 represents a considerable drop from the 61% traceability figures we reported last year. Some of this is due to the extreme complexity of many soya supply chains, which limits the level of influence we have on the farmer supply base, and some is based on the inclusion of our US suppliers.

#### Verification and certification

Our requirements for soya cover legal compliance; labour practices; the conversion of natural vegetation; environmental impacts; land use rights; and the creation of shared value.

To demonstrate that the soya we procure is sourced responsibly, our partner Proforest undertakes site assessments against our requirements.

We accept certification against approved sustainability schemes and initiatives that are consistent with our requirements. For example, we consider the use of credits from the [Roundtable on Responsible Soy](#) (RTRS) – a multi-stakeholder initiative that aims to facilitate a global dialogue on economically viable, socially equitable and environmentally sound soya production – to be an interim solution until assessments can be more widely deployed.

We also accept traceable soy from smallholders and growers who have an action plan and timeline in place for meeting our requirements.

### Supply chain assessments

By the end of 2014:

- 41% of our volume was [traceable](#) back to mill and supply base (ahead of our annual target of 30%), although the complexity of supply chains varies considerably; and
- 32% of our volume was [Responsibly Sourced](#) (annual target: 20%).

#### Mapping High Conservation Value areas in Brazil

To ensure that our soya sourcing only takes place outside High Conservation Value (HCV) areas and where the risk of non-compliance with our commitment to no deforestation is low, we have worked with Proforest to identify, categorise and maintain high-risk zones.

In the Cerrado and Pantanal areas of Brazil, for example, we only source products from land that has not been converted from HCV areas to other land use, in line with specific cut-off dates:

- Amazon areas cleared after 2006, in line with the Soy Moratorium; and
- Other regions converted to agriculture from an HCV area after 2008, in line with the Roundtable on Responsible Soy (RTRS).

This protects high levels of natural vegetation and prevents suppliers from sourcing soya from priority diversity areas. Suppliers must also meet the requirements of the Brazilian Forest Code, which involves:

- Registering every rural property in a new Rural Environmental Registry system (*Cadastro Ambiental Rural*) within a year;
- Maintaining natural vegetation along water courses and steep slopes ('Permanent Protection Areas'); and
- Maintaining a certain amount (20% to 80%, depending on the location) of native vegetation in each rural property ('Forest Legal Reserves').

The use of HCV risk-mapping tools is also being investigated. There are a number of publicly available mapping layers, showing governmental biodiversity priority areas and RTRS High Conservation Value areas, which might help us to implement our Responsible Sourcing programme.

## Sugar

Globally, Nestlé buys most of its sugar from three priority sourcing locations – Brazil, Mexico and India – although we also source sugar from a number of other countries, including Australia, Thailand, Indonesia and Malaysia. We use the sugar we buy in many of our products such as confectionery and ice cream.

### Traceability

Working with Proforest to map the supply chain back to at least the sugar mill, we have had to prioritise countries in the following phases, starting with the countries where we buy the highest volumes of sugar and where the potential sustainability risks are greatest:

- 2012/13: Brazil, Mexico and India;
- 2014: Australia, Thailand and EU (sugarcane imports); and
- 2015: Indonesia, Malaysia, Central America and the USA.

### Verification and certification

Our Responsible Sourcing Guideline (RSG) and category-specific requirements – mainly for sugarcane but also for sugar beet – were developed at the end of 2011 with the support of Proforest, and reviewed by other NGOs.

They reinforce our commitments on child labour in agricultural supply chains, water stewardship and deforestation, and state that we will ensure that our sugar is sourced from mills where the operations, as well as the farms and plantations that supply them, comply with local laws and regulations at the very least. This includes:

- No use of forced or child labour;
- Workers' pay and conditions that meet at least legal or mandatory industry standards;
- Respecting freedom of association and collective bargaining, unless prevented by law;
- The provision of safe and healthy workplaces; and
- Mitigating the impacts on water by implementing water management plans, and additional measures in water-stressed areas.

Under certain circumstances, we accept [Bonsucro](#) and Sustainable Agricultural Network (SAN) certification as verification of compliance for the production of sugarcane, and accept traceable sugar from smallholders and growers who have action plans in place for meeting our Responsible Sourcing requirements.

## Supply chain assessments

There are a range of challenges in the countries that we source sugar from, and we are actively working with suppliers and implementing partners such as Proforest to help us address them.

The most widespread and serious challenges concern safe and healthy working conditions for sugarcane labourers. A significant number of temporary migrant workers live and work in sugarcane-growing areas during the harvest period, but then move on. The nature of this labour force accounts for many of the social risks within the supply chain, such as high water consumption and a limited access to sanitation and potable water; overcrowding and a lack of personal space and privacy; children not in education; and limited knowledge about safe working practices, such as the appropriate use, storage and disposal of chemicals.

Our '[no deforestation](#)' [commitment](#), and support for the Consumer Goods Forum's ambition for zero-net deforestation by 2020, are also relevant in the sugar supply chain.

During the 2013/14 harvest season, Proforest carried out five RSG assessments in Mexico. The assessments showed that labour standards and living conditions for migrant workers could be improved. We have therefore started to instigate practical programmes to help farmers implement best management practices, specifically in terms of addressing the root causes of poor working conditions, and particularly where there is migrant labour.

We are also developing and sharing tools to enable smallholder farmers to avoid deforestation and the loss of natural vegetation, and finding ways to help them minimise water consumption. The remediation activities are implemented in conjunction with a network of local delivery partners in specific countries, who can bring additional local knowledge to the process.

### The results

We have assessed locations in Brazil, Mexico, India, Thailand, Australia, Central America and Africa.

By the end of 2014:

- 50% of our total volume was [traceable](#) (against an annual target of 30%), although traceability across sugarcane markets varies; and
- 27% of our total volume was [Responsible Sourced](#) (2014 target: 20%).

## Engaging with sugar suppliers

In Mexico, Nestlé has been engaging with Tier 1 supplier Beta San Miguel (BSM), the country's second-largest sugar producer, on the Responsible Sourcing programme since 2012. BSM reacted enthusiastically and collaboratively throughout the whole process, providing traceability data, supporting initial exploratory site assessments, attending supplier workshops and committing to full site assessments at its six supplying mills across the country. BSM and Nestlé Mexico are continuing to work positively together to develop strategies to improve practices across their supply bases.

Implementing partners Proforest and ABC Mexico have also been assessing how best to approach the findings identified at the Mexican mills that were assessed in the last harvest season. The remote monitoring of continuous improvement plans would be supplemented by two visits per mill, each comprising a two-day training course and a field monitoring day to assess the implementation of the improvement plans and to observe current risk levels in regard to the Responsible Sourcing Guideline.

 [Read our latest sugar progress report.](#)

## Shea

We buy about 8 000 tonnes of shea fat a year and use shea in a number of products, including confectionery.

### Traceability in the supply chain

In 2013, a sourcing survey was undertaken to identify the major countries of origin for shea, and to begin tracing the supply chain back to the level of grower co-operatives.

However, due to a combination of limited resources, the small volumes we buy and the complexity of the supply chain, the mapping of our shea supply chains has not advanced enough for us to complete any supplier assessments. Therefore, we cannot claim any of the shea we procured to be [traceable](#) or [Responsible Sourced](#) as yet.

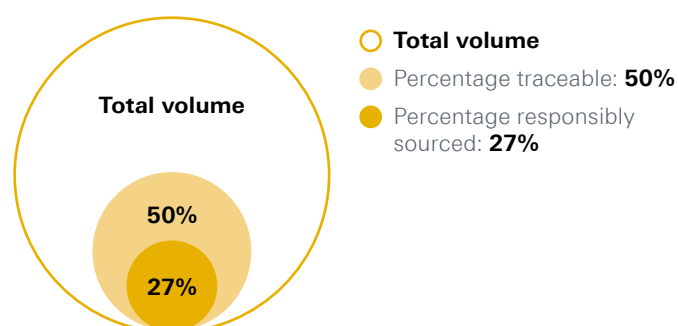
To assist us in reaching our ambitions, we became a member of the [Global Shea Alliance](#) in 2014. The Alliance is a multi-stakeholder association that promotes quality and sustainability in the shea industry around the world.

## Hazelnuts

Turkey is the world's leading producer of hazelnuts, accounting for around 75% of the total global production. Nestlé mainly purchases hazelnuts as a raw material from the Eastern and Western parts of the Black Sea region of Turkey, which supplied more than 4 000 of the 7 000 tonnes we sourced in 2014. Nestlé does not source directly from the farms but from a small number of suppliers who get the hazelnuts through a chain of intermediaries.

As well as being eaten whole, hazelnuts can also be roasted, powdered and pureed for use in a range of food products, including confectionery, pastries and ice cream.

### Sugar supply chain traceability results



## Supply chain issues

The hazelnut supply chain in Turkey faces a number of challenges associated with labour conditions, health and safety standards, and child labour.

Turkish growers rely on migrant seasonal workers to pick the crop. Hundreds of thousands of families take part in the annual harvest of hazelnuts. The majority of workers are Kurdish, and come from the south of Turkey; the presence of migrant workers from Georgia and Syria (some legal, some not) under the legal age of 16 also becomes more acute. These workers travel to north-east Turkey every year for the hazelnut harvest, bringing their school-aged children with them to help out in the fields. Because of high unemployment (especially in the south), seasonal work has become the only means of survival for those families.

During harvest time, families leave their homes to live in camps with poor sanitary conditions. In addition to working, the children are deprived of access to education for several months a year. The sector is also affected by a lack of employment records, compensation discrimination and harassment, and the sheer complexity and mobility of the workforce involved only hinders traceability.

## Traceability in the supply chain

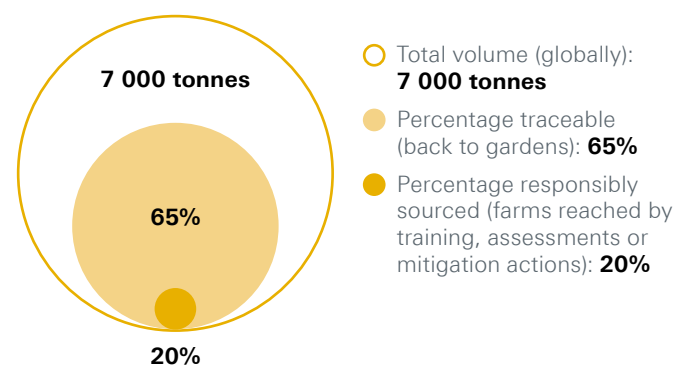
In 2010, we [committed](#) to not having products associated with child labour. Our approach requires farm ('garden') owners in countries with production facilities to work towards full compliance against best ethical and sustainability practices as a means of eliminating child labour from the hazelnut industry. As with other categories of ingredients and materials, suppliers unable to meet our requirements but demonstrating measurable progress towards them, receive help from Nestlé and our delivery partners to make the necessary changes.

We've been working with the Fair Labor Association (FLA) in Turkey since 2011 to improve supply chain transparency and implement a monitoring and remediation system for tackling labour and human rights issues. It began with a risk-mapping exercise in response to our request for an external investigation.

The resulting [Fair Labor Association \(FLA\) report](#) contained recommendations and guidance on improving workplace conditions in Nestlé's supply chain. We responded with a multi-year [Action Plan](#), submitted to the FLA in early 2012, to integrate the recommendations into our sourcing strategy, promote sound labour practices through our Supplier Code and track progress. Nestlé also joined the FLA as a participating company.

Concentrating on our main source of supply – Turkey – we have directly engaged with suppliers and traced our supply back through a complex mix of processors, crackers and intermediaries ('manavs') to reach hazelnut garden owners across four regions along the northern coast of Turkey. This involved setting up a pilot scheme with two Tier 1 suppliers – Olam-Progida and Balsu – to understand the issues and test auditing and remediation systems.

## Hazelnuts supply chain traceability results



## Supply chain assessments

We have made progress towards our ambition to source all our hazelnuts from transparent supply chains, subject to FLA's labour assessments, monitoring and remediation systems.

By the end of 2014:

- We had mapped 65% of our global hazelnut volume (against an interim target of 75%), [traceable](#) back to farms in northern Turkey; and
- Within this traceable volume, 20% was [Responsibly Sourced](#) (annual target: 30%).

Farmers were segmented into 20 clusters; 115 farms within these clusters were assessed by Balsu and Olam-Progida. In addition, 70 independent monitoring visits were carried out by the FLA in the Middle and West Black Sea regions in August 2014.

The FLA assessments found a lower frequency of non-compliances compared to 2013: at the 70 gardens assessed by the FLA, 46 children were found in the hazelnut gardens among the 535 workers observed by monitors in the Ordu, Sakarya and Düzce regions. Inadequate standards with respect to worker safety and hygiene were observed in most of the gardens. And although personal protective equipment (PPE) and first aid kits have been provided, workers are not fully aware of their importance. Most were kept at the farmers' houses, reducing their effectiveness, so ongoing awareness-raising is key. In addition, external stakeholder meetings were held with the Directorate of Food and Agriculture, the Chamber of Agriculture, the ILO and the Turkish Employment Agency. Two camp areas and two schools were visited to more learn about the conditions of migrant workers and their children by the team of FLA assessors.


Our two direct suppliers, Balsu and Olam-Progida, have held training and awareness-raising sessions, attended by 435 processors, manavs and growers. In addition to PPE and medical kits, we provided drinking water, adequate sanitation and hand-washing facilities, and held summer schools and camps to contribute to the elimination of child labour. A toll-free phone number was introduced to the farmers during the training and on different materials to report any complaints.

As part of our discussions with the FLA in December, following the 2014 hazelnut harvest assessments, and through our 2014 Corrective Action Plan submission, we also committed to:



- Strengthening the Child Labour Monitoring and Remediation System;
- Continuing to work with local authorities and the ILO to raise awareness through campaigns, training and an illustrated supplier code in Turkish;
- Continuing with refreshment training for the farmers on FLA principles (e.g. good labour practices) and trying to reach the workers; and
- Continuing with summer school activities to remove children from the orchards and contribute to their development.



 **Read our latest [hazelnut progress report](#)** (a new update will be published in 2015).

## Vanilla

Eighty per cent of the world's vanilla comes from the island of Madagascar in the Indian Ocean, including the 700 tonnes of vanilla we purchased in 2014. We use vanilla for flavouring products such as ice cream and confectionery.

The vanilla spice comes mainly from the SAVA regions (Sambava, Antalaha, Vohemar, Andap) produced by small growers in rural villages, where social and educational infrastructures are under developed.

Because there are no bees on the island, each orchid flower has to be pollinated by hand. Combined with harvest and curing, this makes vanilla a labour-intensive crop best suited to small-scale farms.

### Supply chain issues

In a complex supply chain, farmers are the most vulnerable actors, because of the number of stages the crop goes through, including exporters, processors and collectors, before reaching the consumer, and because of a lack of diversity in their crops. About 80 000 farmers on the island rely almost exclusively on

vanilla for their income. Sometimes, farmers harvest their vanilla too early because they need cash to buy food, or because of a lack of access to resources and expertise. And with low levels of income – about USD 2 (CHF 1.98) a day – smallholder farmers cannot always meet their basic needs, and often turn to child labour (usually from within the family unit). Nestlé sees child labour as a key issue and is working with suppliers and partners to find appropriate solutions.

### Traceability in the supply chain

Given their importance to global supplies, Malagasy farmers need to have sustainable resources and the necessary education and skills to produce crops of high quality and value, both today and in the future.

Although we don't have category-specific requirements for vanilla, our Responsible Sourcing Guideline requirements cover compliance with local and national regulations and laws; labour practices; environmental impacts; and the creation of shared value.

After conducting an in-depth field investigation into the Malagasy vanilla supply chain to evaluate the responsible sourcing risks and opportunities, we created our responsible sourcing strategy for vanilla. It aims to establish traceability back through the complex supply chain of exporters, processors and collectors to the gardens or plantations, and seeks to ensure Responsibly Sourced vanilla volume through the implementation of best practices.

### Supply chain remediation

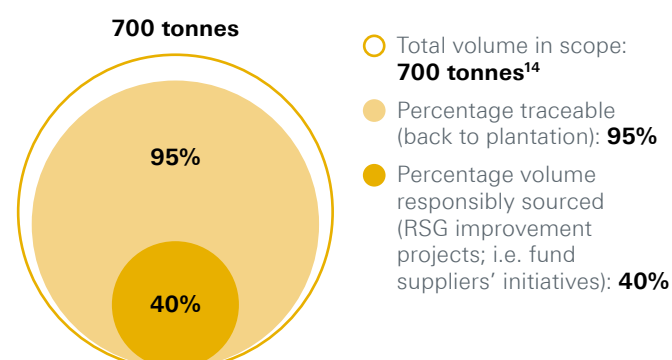
The extent of the supply chain challenges we found encouraged us to invest directly in remediation activities rather than through further assessments. Therefore, in 2013, we awarded our Responsible Sourcing Prize for Vanilla to our Tier 1 supplier Givaudan for the period 2014–2016.

Our funding helped us to better understand and support their initiatives to encourage sustainable development in the vanilla-growing villages of the SAVA regions by providing greater access to schooling and education, and increasing technical assistance to farmers and their families (see case study below).

At the end of 2014:

- 95% of our volume was [traceable](#) (against an interim annual target of 100%); and
- 40% was [Responsibly Sourced](#) (annual target: 10%).

#### Vanilla supply chain traceability results



<sup>14</sup> Volume sourced for Ice Cream and Confectionery Business.



### The social impact of our vanilla suppliers

Our supplier Givaudan has benefited 2 300 schoolchildren and supported almost 2 000 families in the SAVA regions through its sustainable development programme for 2013–2015. Working with one of its own suppliers, Henri Fraise Fils (HFF), this has been achieved by:

- Improving vanilla bean quality through the provision of technical assistance to farmers;
- Promoting the System of Rice Intensification (SRI) to increase the yield of locally grown, pesticide-free rice, strengthening food security;
- Supporting the development of alternative sources of revenue such as beekeeping, fisheries, keeping small livestock and handicrafts;
- Improving access to water by building wells and irrigation dams; and
- Supporting the building, extension and repair of schools, health centres and access roads.

In 2014, Nestlé's involvement enabled three new classrooms to be added to a high school in Anjinjaomby, benefiting 551 children, and in Antakôly, the existing school will be complemented by a new one serving a further 168 schoolchildren. The rooms were built using local, renewable materials and families in the villages participated in the construction, and are trained to maintain it.



Since we applied the SRI techniques, we have improved our rice crop and no longer suffer between vanilla crops."

**Brizitte Tombosoa, vanilla farmer**




The villagers participated in building schools for their children. Involving them on a voluntary basis was a challenging but rich experience, and everyone's dedication has truly paid off."

**Benoît Leroy, Henri Fraise Fils  
(Tier 2 supplier)**

Mane, another Nestlé supplier, has explored other avenues to address the need for a constant vanilla bean supply, price stability, better quality beans and more organised farmer communities. Since 2004, its engagement in the vanilla business has involved:

- Creating Floribis, a 30-hectare plantation in Vohemar with disease-resistant hybrid plants. This plantation applies good agricultural practices in terms of quality and traceability for the vanilla curing process. Floribis has committed to the UN Global Compact, joined the Sedex platform and been successfully audited by SGS against the Sedex Members Ethical Trade Audit (SMETA) ethical standards;
- Participating in the 'Community Vanilla Initiative', in which four farmer communities are being organised into co-operatives with the support of Mane, Floribis and Fanamby, a local NGO. The co-operatives were in place by December 2014 and will be audited by a relevant organisation in 2015, helping to develop the traceability, quality and availability of vanilla and to build a sustainable partnership with the farmers; and
- Partnerships with major customers to ensure a fair price for the vanilla, to help stabilise sourcing and to motivate the farmers to improve the quality of their crop.

In 2015, Nestlé will direct resources and funding to sponsor the building of two additional schools close to our sourcing locations, and support the development of infrastructure for a health centre. We will also video our vanilla sourcing activities to better educate both employees and consumers.

 **Read our latest [vanilla progress report](#).**

## Meat, poultry and eggs

The different meat, poultry and egg products we buy come from a wide variety of farmers in many locations around the world.

We buy processed meat in the form of cooked and dehydrated products, oils and powders, as well as cooked, frozen and fresh meat for use as ingredients in a range of our products. We do not buy animals on the open market, or whole live animals.

We use most of our meat and poultry for pet food, ready-made and frozen meals, while eggs are mainly used for mayonnaise, pasta and pastry.

### Supply chain issues

We recognise the [concerns of our stakeholders](#) about the welfare of animals raised for food. We share this concern and appreciate that robust welfare standards can have both a direct and an indirect impact on food safety and quality.

We are therefore committed to cooperating with our partners and other stakeholders in the meat, poultry and egg supply chains (as well as [dairy](#)) to support the long-term economic, environmental and social viability of animal farming systems. This will ensure farm animal health and welfare, and benefit farmers and rural communities.

### Traceability in the supply chain

#### Compliance and standards

All materials derived from animals that are used in the manufacturing of products sold by our company must comply fully with all applicable local laws and regulations. We monitor the global regulatory environment to ensure compliance with all applicable farm animal welfare standards and regulations, and to help us meet our broader commitments on farm animal health and welfare.

Going beyond regulatory compliance, we are committed to working with food chain and non-profit partners, local authorities, and regional and international organisations to promote the continuous improvement of farm animal health and welfare in our meat, poultry and egg supply chains, in line with the standards and guidelines set out by the World Organisation for Animal Health (OIE) and the internationally accepted 'Five Freedoms' of animals.

In 2012, we established the Nestlé Commitment on Farm Animal Welfare, which was most recently updated in 2014. This commitment serves as the basis of our Responsible Sourcing requirements on meat, poultry, eggs and [dairy](#) products. We developed these category-specific requirements in 2013 together with the international animal welfare NGO, [World Animal Protection](#). These requirements are an integral part of our Responsible Sourcing Guideline Assessments and cover breeding, feeding, housing and husbandry, health, transport and slaughtering.

Following this initial engagement, in March 2014, we entered into a partnership with World Animal Protection, becoming the first major food company to do so at a global level. Through this partnership, World Animal Protection shares its knowledge and expertise on farm animal health, care and welfare with us, while our involvement provides World Animal Protection with the opportunity to further engage with suppliers and to promote good farm animal welfare practices within the food industry. Together with World Animal Protection and our supply chain partners, we began the implementation of these requirements in early 2014.

 [Read more about farm animal welfare.](#)

### Supply chain assessments

We are working towards further improving farm animal health and welfare in our supply chain, and assess practices at the farm level using the Nestlé Responsible Sourcing Assessment protocol, developed in conjunction with World Animal Protection.

Having started by assessing our [dairy](#) supply chains in Europe and North America, we are now implementing our Responsible Sourcing requirements on meat, poultry and eggs in our supply chain. Commencing in April 2014, we conducted 99 assessments of meat, poultry and egg suppliers; these were undertaken with the assistance of implementation partners SGS, which performs the assessments, and World Animal Protection, which acts in an advisory capacity for both SGS and Nestlé. Initial findings included issues regarding the storage of chemicals, water distribution and labour policies. We will gradually implement them along our global supply chains, focusing on animal welfare at a farm level.

We began implementing our Responsible Sourcing requirements on meat, poultry, eggs and dairy in late 2013. By the end of 2014, 1.3% was [traceable](#) (target: 5%) and 1% was [Responsibly Sourced](#) (target: 5%). Progress has initially been slow because much of the meat and poultry we buy is used for pet food, but our current assessment focus lies on our food business.

Together with World Animal Protection and our supply chain partners, we will continue to work to further improve farm animal welfare in our supply chain by ensuring compliance with our Responsible Sourcing Guideline requirements to ensure the highest possible levels of farm animal welfare along our supply chain.

 [See the Nestlé Commitment on Farm Animal Welfare.](#)

## Fish and seafood

Our fish and seafood comes from a wide variety of sources. Like meat and poultry, the seafood we procure is used in ready-made and frozen meals, nutrition products and pet food.

### Supply chain issues

We are fully committed to ensuring that our products are not associated with forced labour through our mandatory Nestlé Supplier Code and Responsible Sourcing Guideline (RSG), which require all of our suppliers to respect human rights and to comply with all applicable labour laws. In the case of fish and seafood, we are, for example, engaging with our suppliers in Thailand to identify any potential unlawful labour practices and pursue appropriate actions to eliminate such practices from our supply chain.

To this end, our main seafood supplier in Thailand has begun working with an independent consulting firm to trace products through its supply chain to the ports of origin in Southeast Asia. Such data will enable us to better understand the scope of any potential labour concerns in our shrimp supply chain and help us to more directly target our efforts to address any labour issues which are found. Alongside the Thai Government, local seafood suppliers and international buyers, we are participating in the multi-stakeholder International Labour Organization (ILO) Working Group, which is seeking collaborative solutions to improve labour conditions in Thailand's complex seafood export industry.

### Verification and certification

Our delivery partner agreements will increasingly enable us to assess our supply chain against our category-specific requirements for fish and seafood, evaluate the sustainability of seafood sources (both wild and farmed), and identify improvement projects to enhance the environmental performance of our suppliers.

The Guideline establishes a framework to continuously improve our wild caught and farmed seafood supply chain, and its derived co-products, to one that comes from responsible sources.

We also recognise seafood certified by independent NGOs such as the Marine Stewardship Council, the world's leading certification and eco-labelling programme for sustainable seafood.

### Traceability in the supply chain

Our ambition is to confirm that the fish and seafood we source comes from healthy fisheries or from fisheries and farms engaged in improvement projects. To this end, we signed agreements with two implementation partners in 2013 (see below).

We are tracking our seafood supply chain back to the fishery of origin around the world through a respected marine conservation organisation, the [Sustainable Fisheries Partnership](#); this international NGO helps major seafood buyers to engage directly with suppliers of sustainable fish and implement responsible sourcing policies. Based on the early results of the fisheries tracked in the first half of 2015, we will prioritise areas that could benefit from our participation in Fishery Improvement Projects (FIPs) or other methods of involvement to improve fishery and aquaculture sustainability.

Our other partner, Ocean Outcomes (formerly the Wild Salmon Center) in the USA, promotes the conservation and sustainable use of marine ecosystems across the Pacific Rim, and has made good progress on its Salmon FIPs in Russia. The group has launched two Salmon FIPs on the remote Kamchatka peninsula, in the Russian Far East. Now, more than 50% of Kamchatka wild salmon fishers are Marine Stewardship Council certified, in assessment or in a FIP. The Kamchatka FIP brought 24 000 tons of pink, chum, sockeye and coho salmon into 'improved status' in 2014, and other FIPs in the area brought another 29 000 tons of salmon into improved status.

The government agency in Russia that controls salmon hatcheries has expanded its marking programme at all government-run hatcheries to cover 100% of fish released. A team of independent observers completed a season in the field in Western Kamchatka and found no cases of illegal activity in the commercial fishery, although one case of river poaching was discovered and reported.

### Supply chain assessments

By the end of 2014:

- 42% of our volume was [traceable](#) (interim annual target: 60%); and
- 60% was [Responsible Sourced](#) (ahead of our annual target of 50%).

We are learning that tracking a seafood supply chain in the open ocean is a difficult process and in the early stages, we are discovering how much we do not know. But by working with knowledgeable partners, we are finding ways to address knowledge gaps, as we strive for continuous improvement.

## Farm animal health and welfare in the supply chain

As the world's largest food company, we share public concerns about the health, care and welfare of animals raised for food. With the implementation of our Responsible Sourcing Guideline (RSG), we want to help bring about positive change at every level of our extended supply chain, from our direct suppliers of animal-derived ingredients to their suppliers and back to the farms.

In 2014, Nestlé continued to build on its public commitment to continuously improve the health, care and welfare of farm animals in our global supply chain.

### Commitment and continuous improvement

Our mandatory [Nestlé Supplier Code](#) requires all our suppliers of animal-derived ingredients to meet all applicable laws and regulations on animal welfare, and to communicate this to their suppliers and to the farmers themselves. However, we recognise that to further improve the health, care and welfare of the farm animals in our supply chain – and to meet the expectations of our consumers and stakeholders – we need to go beyond ensuring regulatory compliance.

To help achieve this, in 2012, the company established the [Nestlé Commitment on Farm Animal Welfare](#), which we updated and strengthened in July 2014. This Commitment is based on the World Organisation for Animal Health (OIE) guidelines. Among other enhancements, we have committed to gradually eliminate from our global supply chain specific practices that are not consistent with the 'Five Freedoms' as defined by the OIE:

- Freedom from hunger, thirst and malnutrition;
- Freedom from fear and distress;
- Freedom from physical and thermal discomfort;
- Freedom from pain, injury and disease; and
- Freedom to express normal patterns of behaviour.

As part of our commitment to continuous improvement with respect to farming practices in our supply chain, some of the specific practices we have committed to eliminating include:

- **For cattle:** dehorning; tail docking, disbudding and castration without anaesthetic and analgesia; veal crates;
- **For pigs:** gestation crates; tail docking; surgical castration;
- **For poultry and eggs:** cage systems, particularly barren cages; rapid-growth practices with respect to the effects on animal health and welfare; and
- **For animal production systems in general:** our first focus is the responsible use of antibiotics in line with the OIE's guidance, and the phasing out of growth promoters.

The [Nestlé Commitment on Farm Animal Welfare](#) serves as the basis of our Responsible Sourcing requirements on [meat](#), [poultry](#), [eggs](#) and [dairy](#) products, which form part of our broader Responsible Sourcing Guideline.

Prior to formally partnering with World Animal Protection, Nestlé collaborated with the global NGO in 2013 to develop a protocol for assessing farm animal welfare practices in our supply chain. We have since worked together, throughout 2014, to implement, refine and strengthen our Responsible Sourcing requirements on meat, poultry, eggs and dairy.

All of our suppliers are required to demonstrate continuous improvement in meeting our Responsible Sourcing Guideline. As an early step towards ensuring good farm animal welfare and continuing to raise awareness of our updated commitment to farm animal welfare along our supply chain, Nestlé has been working with World Animal Protection and our suppliers to trace our animal-derived ingredients. This includes farm-level assessments conducted by an independent third-party audit firm, SGS, to make sure that our requirements on farm animal health, care and welfare are being met. Several hundred assessments were carried out in 2014 to ensure compliance with our RSG. World Animal Protection and/or its local representatives were present at a number of these visits.

World Animal Protection supports Nestlé in training SGS auditors on animal health and welfare matters. Expert, hands-on coaching is also provided to our ingredient buyers, suppliers and farmers.

## Partnership and engagement

In March 2014, we formalised our relationship with World Animal Protection (formerly known as World Society for the Protection of Animals). In doing so, Nestlé became the first major food company to enter into a global partnership with an international animal protection NGO. Through this partnership, World Animal Protection shares its expertise on farm animal health, care and welfare. In turn, Nestlé, through its Responsible Sourcing activities, provides World Animal Protection with the opportunity to further engage with suppliers and to promote good farm animal welfare practices within the food industry.

Since 2012, Nestlé has been actively involved in an international, multi-stakeholder working group to develop an ISO technical specification (TS) on farm animal welfare. The goal of the proposed TS is to improve the living conditions of animals bred and kept for food production, and to provide a management tool to facilitate the implementation of the animal welfare principles of the OIE Terrestrial Animal Health Code. Nestlé representatives contribute to the ISO TS working group through the Swiss Association for Standardization (SNV) and SSAFE, a public-private partnership dedicated to integrating food safety with animal and plant health. The working group, which is scheduled to meet in 2015, is expected to develop the draft TS with a view to a vote in early 2016.

## Business Benchmark on Farm Animal Welfare

In recent years, we have contributed to the stakeholder consultation process on the Business Benchmark on Farm Animal Welfare (BBFAW), a global measure of animal welfare standards in food companies supported by World Animal Protection and Compassion in World Farming. In 2014, Nestlé remained in the 'Tier 3 Established but work to be done' ranking, indicating that farm animal welfare is an 'established' part of our business, but that there are areas for improvement.





# Water

Water, more than any other substance, is essential for human survival and cannot be replaced. The gap between the supply and demand of safe fresh water is increasing and, by 2030, water withdrawals are predicted to exceed renewals by 40% if no action is taken. As the gap increases, so does the level of stakeholder attention around how and where water is being used (including by ourselves). We welcome this interest, understanding that everyone is facing a global water crisis, and that public policy debate around the world will lead to stronger collective action. Responsible water stewardship is critical for all of us and to the future of our business. Nestlé is helping to facilitate a more sustainable management of water catchments where we source our goods, where our factories are located, and where our suppliers and consumers live. This chapter shares our progress, as we seek to improve our performance and engage with our stakeholders.

## The year in brief

### 2014 highlights

#### 376 water-saving projects

taking place at our factories to save around 1.8 million m<sup>3</sup> of water

#### CHF 5 million contribution

to the IFRC, over five years, renewing our long-standing partnership to improve access to water and sanitation

#### Most water-efficient factory is operating in Mexico

#### 37.3% reduction

in our direct water withdrawals per tonne of product (since 2005)

#### 18

new Water Resource Reviews carried out at our sites

### Challenges

#### Water scarcity

38% of our manufacturing facilities are situated in water-stressed regions.

#### More interest in water

Increased level of public interest around water withdrawals for business and the impact on the human right to water and sanitation.

#### Catchment-level collaboration

Improvements to a water catchment often need the collaboration of many stakeholders and local water users (including ourselves).

### What we are doing

#### Water stewardship planning

We have introduced a global Water Stewardship Master Plan and launched a local plan in Pakistan.

#### Supporting new standards

Assisted the publication of the CEO Water Mandate Guidance for Companies on Respecting the Human Rights to Water and Sanitation, the water footprint standard ISO 14046: 2014 and the AWS International Water Stewardship Standard.

#### Supporting the human right to water and sanitation

We are championing the WBCSD WASH Pledge.

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# Our role in water stewardship

Nestlé recognises the human right to water and sanitation, and we ensure all our people respect it. We understand that water is critical to the sustainability of our value chain: our employees, our suppliers and our customers need access to safe drinking water and adequate sanitation. We are committed to developing our business in a way that facilitates effective water stewardship in catchments<sup>1</sup> where we source and operate. To deliver our commitment, we must ensure our operations use water efficiently and do not compromise the right to water of local communities. In 2013, we launched the [Nestlé Commitment on Water Stewardship](#) to guide our actions and we continue to share our progress in this report.

## Material issues














Nestlé has a strong history of leadership on water issues and in 2014, we engaged SustainAbility, working together with Accenture for a commercial point of view, to quantify and rank our material issues. They were mapped with regard to the degree of

importance Nestlé stakeholders place on the issue in different parts of the value chain, and to where financial, operational and reputational impacts would be felt in the value chain.

Each issue is made up of a number of sub-issues, which were highlighted during the research process. The consultancy used the sub-issues as a lens, to define the scope of analysis. In this section, we have provided a synthesis of the findings related to Water. [Read more here.](#)

In 2014, **water stewardship** was rated as being of concern to our stakeholders and of strategic importance to our business. It includes sub-issues associated with water: quality, water security, water use, and hygiene and health. Our success in water stewardship will have a significant impact on ensuring the secure supply of agricultural raw materials and our licence to operate, particularly for the Nestlé Waters business. The efficient use of water enhances the efficiency of our agricultural supply chain and reduces costs at our operating sites.

Our stakeholders expect us to respond to the challenge of water scarcity and collaborate on the shared management of water resources. Access to sanitation and hygiene is an action area for our stakeholders and critical to both the Nestlé supply chain, and in ensuring the efficacy of our nutrition products.

MATERIALITY ISSUE	VALUE CHAIN				
	<b>KEY:</b>  Moderate  Significant  Major				
	 Agriculture	 Tier 1 Suppliers	 Nestlé	 Retail/Business Channels	 Consumers
<b>Water stewardship</b>					
Implementing the actions, individually and/or collectively, needed for the sustainable management of shared water resources, including enabling access to water, sanitation and hygiene.					
<b>Sub-issues defined</b> <ul style="list-style-type: none"> <li>• <b>Hygiene and health:</b> Enabling access to clean and safe water for drinking and hygiene and adequate sanitation services.</li> <li>• <b>Water quality:</b> Preventing the release of harmful substances into the water by treating discharged water appropriately.</li> <li>• <b>Water security:</b> Safeguarding sustainable access to adequate quantities of and acceptable quality water for sustaining livelihoods, human well-being, and for ensuring protection against water-borne pollution.</li> <li>• <b>Water use:</b> Reducing the waste, misuse or overuse of water while optimising opportunities for water reuse or repurposing through efficient consumption practices.</li> </ul>					

<sup>1</sup> A catchment (or watershed) is the area of land from which all surface run-off flows through a sequence of streams, rivers, aquifers and lakes into the sea or another outlet at a single river mouth, estuary or delta. Surface water is the most visible, but groundwater represents the biggest part of water in most catchments in terms of quantity.

## Our commitments

Nestlé's commitments are a response to the material issues of our business and they are reviewed by external stakeholders. Our five water stewardship commitments and their objectives help us to reduce risks and improve our performance. In practical terms, they guide our teams across the business when agreeing roles and responsibilities, action plans, deliverables and deadlines. In 2014, responding to stakeholder feedback, the commitment to 'Raise awareness of water access and conservation' was changed to 'Raise awareness on water conservation and improve access to water and sanitation across our value chain', and 'Work to achieve water efficiency across our operations' was changed to 'Work to achieve water efficiency and sustainability across our operations'.



In addition to our own public commitments, in 2013, Nestlé signed the World Business Council for Sustainable Development's WASH Pledge, which commits companies to providing access to safe Water, Sanitation and Hygiene at all workplace premises in our direct control within three years. By signing the pledge, we reaffirmed our willingness to meet WASH commitments – and hope it will encourage others, along the entire value chain, to do the same.

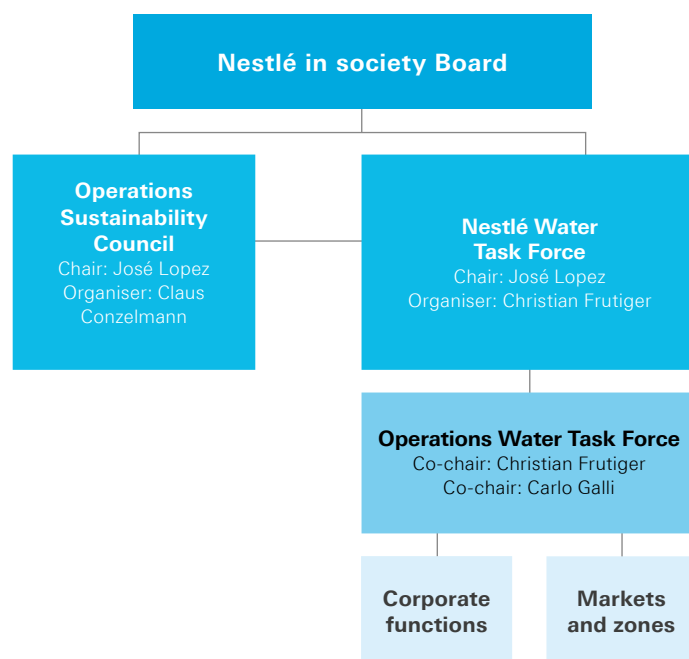


We need to find solutions to water scarcity, because we need to continue to feed the planet...What's different now, is that Nestlé – like others – is sharing its experiences and working with U.N. officials and non-governmental groups. Silos are falling down."

**José Lopez, Executive Vice President and Head of Global Operations, Nestlé**

## Governance and management systems

### Internal governance structure for water stewardship



Water is one of three priority areas for our business and we embed responsibility for water stewardship across our business units.

An Operations Water Task Force (OWTF) meets on a monthly basis and helps our corporate functions and markets to execute Nestlé's commitments. It monitors progress by reviewing performance data and identifying corrective actions with appropriate parties, up and down our organisation. The OWTF also monitors the need for potential changes, updates or additions to our commitments, by reviewing external inputs such as scientific developments and stakeholder feedback.

This year, in the face of growing stakeholder interest around water use, we recognised our governance structure needed strengthening. Nestlé's CEO, Paul Bulcke, tasked José Lopez, our Executive VP of Operations, with conducting a review of our decision-making process for strategic water issues. Working with a cross-functional team including senior employees of Nestlé Waters, the group recommended that our Water Task Force (WTF) be reconvened, reporting into the Nestlé Executive Board. The first meeting of the WTF took place on 29 September 2014, and it is reviewing water issues on a bi-weekly basis, including those raised by the OWTF and sharing progress with the Operations Sustainability Council (see diagram).

As part of its responsibilities, the WTF will monitor and review water issues raised through:

- Stakeholder convenings;
- Materiality analysis;
- GlobeScan reputation research;
- Consultancies and investors; and
- Social media campaigns.

## Our policies and standards

Our policies and standards ensure the respect of the human right to water and sanitation, as adopted by the United Nations General Assembly and the United Nations Human Rights Council. They are aligned to the external strategic framework of the UN Global Compact's CEO Water Mandate, the WBCSD WASH Pledge and the UN Guiding Principles on Business and Human Rights.

The [Nestlé Commitment on Water Stewardship](#) is made available to the public through our website and in it, we acknowledge our responsibilities as a major water user and our approach to water stewardship.

The [Nestlé Commitment on Water Stewardship](#) forms an appendix to [The Nestlé Policy on Environmental Sustainability](#). It was prepared to complement the following internal commitments, policies and standards:

- [The Nestlé Corporate Business Principles](#);
- [The Nestlé Supplier Code](#);
- [Nestlé Responsible Sourcing Guideline](#);
- Nestlé Water Guidelines for Suppliers of Agricultural Raw Materials;
- [Nestlé Commitment on Natural Capital](#); and
- [Nestlé Commitment on Rural Development](#).

## Understanding our impacts

We measure water use throughout the Nestlé value chain. It helps us to improve the water efficiency of our products.

The global agricultural sector remains the largest user of the world's fresh water. Our business purchases large quantities of raw materials and ingredients, all of which require water to grow. In 2013, the water consumed by the crops that we purchase amounted to 65 billion m<sup>3</sup>.

The calculations in 2013 were updated to estimate consumptive water use related to production at farm level of agricultural products purchased by Nestlé on an annual basis. The increase vis-à-vis the previously reported figures (45 billion m<sup>3</sup>) can be attributed to an overall increase in the quantity of raw materials purchased (and more specifically to a refinement of procurement figures for particularly water-intensive categories).

Water consumption by source of crops purchased by Nestlé (billion m <sup>3</sup> )		
	2010	2013
Total	45	65
Rain water	42	61
Irrigation water	3	4

## Direct water consumption

Nestlé uses water directly at over 500 of our facilities and we have identified those where we have a dependency/potential impact on [Important Water Areas](#). To establish which factories are in a high biodiversity area and/or protected areas, we partnered with the [UNEP World Conservation Monitoring Centre](#), and the resulting internal database highlights 60 factories<sup>2</sup> with a high biodiversity risk, where we will focus our future actions.

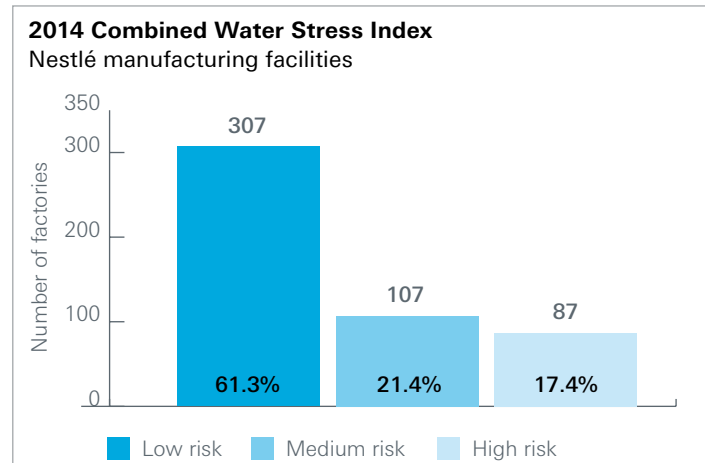
 **See also:** [Learn more about our approach to Biodiversity](#)

Water withdrawn at our factories by source (million m <sup>3</sup> )			
	2012	2013	2014
<b>Total</b>	138	152	<b>147</b>
Surface water	14.8	19.2	<b>15</b>
Ground water	76.4	75.6	<b>77</b>
Municipal water	46.6	57.2	<b>55</b>
Rain water	0.055	0.065	<b>0.065</b>

## How we review water stress

We employ the Nestlé Combined Water Stress Index to assess water stress at an operating site or throughout our supply chain. The index takes an average of results from three leading water-stress indicators ([WWF's Water Risk Filter](#), [WRI's Aqueduct](#) and Pfister's [Water Stress Index](#)). It gives a risk score (low, medium or high) to help us determine the level of risk associated with reduced water quantity or quality and considers possible competition with other local water users.

The 2014 results are set out in the graph below and, taking into account changes in the geography of our operations<sup>3</sup>, we have seen an increase of 2% in the number of our factories located in regions with some degree of water stress (i.e. medium or high risk) and of those sites located in the most sensitive regions (now 17.4%, see red column below). In total, 194 (38%) of factories are situated in regions with water stress and we use this information to inform our investment process.



<sup>2</sup> Based on UNEP-WCMC 2011 analysis

<sup>3</sup> Including new and divested manufacturing facilities.

## Training our employees

In January 2014, we launched a new training programme about the importance of water with our Corporate HR Team called **We Make Nestlé Caring**, which taught 117 participants about why water features in our Corporate Business Principles, how water is a critical factor for human prosperity and how water availability can affect our value chain. The course also encourages participants to contribute towards water conservation, as water ambassadors within their own families and communities. Course content is made available to all Nestlé employees through our intranet pages.

We have prepared a dedicated training module for water and agriculture to be launched next year across the network of our dairy agricultural services.

## Sharing our progress

We report our water performance on a regular basis, believing that similar disclosure by all water users helps to assist global decision-making. We participate voluntarily in a number of third-party reporting schemes, many of which publish the results on the internet, including the:

Scheme	2014 results
<a href="#">UNGC CEO Water Mandate</a>	We publish a <a href="#">Communication on Progress</a> for the CEO Water Mandate every year, which is submitted to the UNGC for review.
<a href="#">CDP Water program</a>	In 2014, we participated in a water scoring pilot for the CDP Water program and received a score of <b>20/20, "Leadership"</b> level.
<a href="#">Dow Jones Sustainability Indices</a>	Nestlé received the maximum score of 100% for water-related risk management in the 'Environment Dimension'. It reflected our strong policies and transparent reporting.
<a href="#">Oxfam Behind the Brands</a>	<p>In the <a href="#">Oxfam Behind the Brands 2014 scorecard</a> (October 2014), we received the highest score for water (7/10 – Fair). The scorecard assesses rights and access to water resources and the sustainable use of water. The Oxfam website highlights,</p> <p>“Nestlé has the best policies on water of the top 10, and they support the major water initiatives. But the company has not set targets to reduce water use in its whole value chain.”<sup>4</sup></p> <p><a href="#">View the results here.</a></p>

More detailed reporting on water incidents can be found in [our response](#) to the CDP water programme (pages 71–72).

# Water in our operations

Our factories must have water to operate, and providing a reliable supply is an important priority. Today, we withdraw nearly a third less water at our factories than we did 10 years ago. At the same time we've increased production by more than half. We are proud of this achievement, but with over a third of Nestlé's manufacturing facilities situated in water-stressed regions, to grow our business we must continue to improve water efficiency. Our new 'Cero Agua' (zero water) withdrawal dairy factory in Mexico clearly demonstrates the ways in which our people are embracing new technologies and innovation to reduce direct water withdrawals. It is Nestlé's most water-efficient factory to date and we plan to replicate its processes in other locations. In September 2014, Nestlé South Africa announced a five-year investment plan, which includes making Nestlé's Mossel Bay factory part of our zero water withdrawals concept.

To help direct our improvements, we have introduced a global Water Stewardship Master Plan at a corporate level, and started to develop local master plans in key markets, beginning with Pakistan (2014). They contain documented responsibilities, targets and deadlines. All plans are market specific and based on our commitments and the three steps of our water stewardship ladder (Compliance, Excellence in water resources management and Collective action).

To stimulate innovation across our business, we invest in 'lighthouse projects', designed to demonstrate 'best in class' performance, and offering a 'step change' in water consumption. To qualify for funding, a project must demonstrate the potential to achieve a significant reduction of average water consumption for a product category or an operational process. At facilities where it may be possible to achieve zero water withdrawals, a lighthouse project also helps us to investigate and develop the technological solutions we will need going forwards. Nestlé's Operations Water Task Force assesses the results of each project and promotes opportunities for similar improvements in other parts of our operations and value chain.

Our work to date has led us to understand that sometimes, we can make the greatest difference to improving the health of a local water catchment by investing resources into initiatives outside our own factory gates. These activities regularly involve collective action and can help to embed long-term sustainable water use. Going forwards, we will aim to invest in external shared initiatives that help other catchment users to improve water efficiency in selected sites.

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**Work to achieve water efficiency and sustainability across our operations**

- Advocate for effective water policies and stewardship
- Treat the water we discharge effectively
- Engage with suppliers, especially those in agriculture
- Raise awareness on water conservation and improve access to water and sanitation across our value chain

## Achieving water efficiency and sustainability

### Our commitment



**Work to achieve water efficiency and sustainability across our operations**

We have achieved a strong water efficiency performance across Nestlé's operations over recent years. It remains a significant focus and currently, our people are carrying out over 376 water-saving projects at factories that will save around 1.8 million m<sup>3</sup> of water. In 2014, CHF 24 million was approved to spend on water-saving programmes.

### Cero Agua Mexico

This year, in Mexico, we opened our most water-efficient factory. Over the last 60 years, water availability per person has drastically declined in the country, due to population growth. Using new processes, our Cero Agua dairy factory in the water-stressed state of Jalisco is already moving towards zero water withdrawals on-site. Instead, the factory uses the water vapour generated when we evaporate cow's milk. This water is condensed, treated and recycled for use as potable process water, and again for cooling and cleaning. This is saving around 1.6 million litres of water a day – enough to meet the average daily consumption of 6400 people in the surrounding area<sup>5</sup>. We are replicating the process in locations such as Nestlé South Africa, where our five-year investment plan includes converting our Mossel Bay dairy factory to 'Zero Water'.



<sup>5</sup> This figure is based on use of an average daily consumption of approximately 250 l per person. Source: Tecnologías Alternativas y Ecodiseño.



## Assessing investment opportunities

We monitor the actual costs of the water we purchase and off-site treated water for all plants. However, we believe global water prices do not adequately represent the environmental and social impacts that are a result of water supply.

Our Corporate Engineering department assesses internal requests to invest in new technology or equipment that will improve water use efficiency. We place a notional cost on water ranging from CHF 1 to CHF 5 per m<sup>3</sup>, depending on a factory's physical risk score, which is generated by the Nestlé Combined Water Stress Index. It takes into account water availability and allows us to address the following challenges:

- Traditional payback may be long term, or non-existent due to the low cost of water; and
- Water savings deliver different benefits in different locations.

This approach enables us to convert environmental and social benefits into a notional payback, helping us to prioritise resource allocation. We are continuing to extend our acceptable Return On Investment period for equipment funding that delivers water savings, recognising that such activities often require longer-term investment.

### Calculation of notional cost and notional payback

**Base notional cost** = 1 CHF/m<sup>3</sup> (cost used for evaluation)

**Notional cost (CHF/m<sup>3</sup>)** = Base cost (CHF/m<sup>3</sup>) x CWSI\*

**Notional payback (years)** =

Total investment (CHF)

Notional cost (CHF/m <sup>3</sup> )	x	Water savings (m <sup>3</sup> /year)	=	Total investment (CHF/year)
				10

\* Combined water stress index

## Water Resource Reviews

### Our objective

**By 2016** – Carry out 45 new water resources reviews in selected manufacturing facilities, and all greenfield sites.

With many water users extracting and returning water to a single catchment, the process is complex and its oversight must be owned by independent local authorities.

Nestlé manages a programme of Water Resource Reviews for factory sites that helps us to analyse the impacts of a manufacturing facility upon a local water catchment. The formal process investigates:

- Water availability (including some key aspects related to the human right to water and sanitation);
- Water quality;
- Regulatory compliance;
- Site protection; and
- Stakeholder relations.

After the review, corrective actions are undertaken, as needed. In 2014, we carried out 18 new Water Resource Reviews, bringing the total number of factories reviewed worldwide to 133, since 2006 when we started the process. At our Nestlé Waters division, over 84% of our factories have undergone a Water Resources Review to date.

## Due diligence on human rights to water and sanitation

### Our objective

**By 2015** – Establish and implement detailed guidelines on human rights to water and sanitation due diligence.

Water, Sanitation and Hygiene (WASH) considerations are being integrated into the Water Resource Review process. The right to water and sanitation is also systematically included in our corporate Human Rights Impact Assessments.

## Reducing water withdrawals

### Our objective

**By 2015** – Reduce direct water withdrawals per tonne of product in every product category to achieve an overall reduction of 40% since 2005.

Nestlé continues to implement programmes to reduce water withdrawal, reuse water and use alternative water sources such as rainwater harvesting. In 2014, we reduced direct water withdrawals per tonne of product in every product category, with an overall reduction of 6% (37% reduction since 2005) and we recycled or reused 7.5 million m<sup>3</sup> of water in our operations (5% approx. of our total water withdrawals).

### Direct water withdrawals by product category

Water withdrawn (m <sup>3</sup> /per tonne)	2005	2014
Powdered and liquid beverages	22.91	8.68
Water <sup>6</sup>	1.96	1.55
Milk products and ice cream	8.33	4.65
Nutrition and healthcare	19.34	10.58
Prepared dishes and cooking aids	7.12	4.38
Confectionery	9.22	4.02
Petcare	1.44	1.05
<b>Total</b>	<b>4.37</b>	<b>2.74</b>

<sup>6</sup> Beyond the litre of water that goes into the bottle, Nestlé Waters has made significant achievements in reducing the amount of additional water required to produce one litre of product at the factory. In 2005, this additional water represented 0.96 litres, which was reduced by 43% to reach 0.55 litres in 2014.

**Total water recycled and reused by our factories**

<b>Total direct water use</b> (million m <sup>3</sup> )		<b>2014</b>
Water withdrawal		<b>147</b>
Water discharge		<b>87</b>
Water recycled or reused		<b>7.5</b>

**Reusing water at Stara Pazova, Serbia**

This year, we delivered a programme of works for reusing water at our Stara Pazova factory in Serbia, where our rinsing water from carbon and sand filters backflush cleaning is now being used as cooling water for ammonia condensers. The reuse project began in 2011 and faced a number of challenges around automation, which were successfully overcome, and it is delivering average water savings of 83 m<sup>3</sup>/week. The factory has improved water efficiency per tonne of product from 14.5 m<sup>3</sup> in 2011, to 10.4 m<sup>3</sup> in 2014. We also found that the Reuse model could be applied to other factory processes (e.g. vacuum pumps, homogenizer, final rinsing) and these water-saving projects will be completed by the end of 2015.

## High-priority areas

**Our objective**

**By 2016** – Implement water savings projects in 100% of high-priority manufacturing facilities.

We have identified and prioritised 31 high-priority manufacturing facilities that are located in areas of severe water stress and/or represent a significant portion of our annual water withdrawals. The list is dynamic and updated every year.

As preliminary progress, at the end of 2014 we had decreased water withdrawals and improved efficiency in 42% of these sites since 2013. The water-saving projects are designed to deliver a 5% improvement in the water consumption performance of each facility, compared to 2012 and our ambition is to achieve a 'best-in-class' performance for internal water savings at the sites.

**Nestlé Waters at Uludag, Turkey**

Since 2013, Nestlé Waters has sent a water task force, made up of corporate experts (from Head Office and our Production & Technology Centre), to our water bottling sites. During a two-to-three-day period, the team identifies opportunities and recommends actions to help a site improve water usage. Over the course of 2014, our water bottling site at Uludag in Turkey has improved water efficiency by 5.1% thanks to improved water treatment processes.

**Our objective**

**By 2016** – Define water stewardship initiatives and start implementation in five high-priority locations.

Our management teams identified five high-priority locations, where water stewardship initiatives are necessary to improve the sustainable management of shared water resources in a water catchment where we operate, and to strengthen stakeholder perception of Nestlé's local contribution.

**Water stewardship at Sheikhpura, Pakistan**

One of these locations is Sheikhpura in Pakistan, where in 2014, we received a high level of public interest around our water bottling plant. Stakeholders raised their concern through a social media campaign around the potential impact of our water withdrawals on local water tables in the Bhati Dilwan region. Nestlé believes unreservedly that access to water is a basic human right: all people have the right to clean water to meet their hydration and basic hygiene needs. And so, to address these concerns, we launched a water stewardship review to determine the scientific basis of the allegations, and to increase our understanding of the local water catchment and the communities that use it.

To inform the review, we commissioned a hydrological study by independent local experts to update available data and information. The study indicated that groundwater is depleting at a rate (0.035 m/year) which does not depict any remarkable threat to groundwater sustainability in the study area. It has found that the vast majority of groundwater in Punjab is used for agriculture purposes (over 90%), often without any control. The survey also confirmed that annual groundwater pumping by Nestlé is a minor amount (about 1%) of the total groundwater being pumped in the area and in the study area. Nestlé pumps groundwater under continuous monitoring which ensures the potential of the aquifer is maintained. We were pleased to reassure our stakeholders that our Sheikhpura water bottling plant is not impacting groundwater levels in the Bhati Dilwan region. However, during the review, we also determined opportunities to improve our water use efficiency, our stakeholder engagement and access to water and sanitation for the communities around our facility. We found that drinking water fountains had been installed for the local community, but not in the villages closest to our factory. The situation was immediately addressed by installing one additional drinking water fountain, bringing the total to seven water fountains for 35 000 beneficiaries in the Sheikhpura region. To underline our public commitment to water efficiency, our employees have instigated additional water-saving activities at the site.

Most recently, understanding that Pakistan is one of the most water-stressed countries in the world and that agriculture currently accounts for 96% of the water use<sup>7</sup>, Nestlé Pakistan has signed a Memorandum of Understanding with the World Wildlife Fund – Pakistan, for sustainable water use and water stewardship. The partnership will launch projects to improve water usage within our local operations and supply chain, and will also implement the Alliance of Water Stewardship standard at selected manufacturing facilities. Nestlé Pakistan currently works with

7 2007 study by Asian Development Bank.

more than 190 000 dairy farmers and engages in a number of rural development programmes for community development.

We believe that our water stewardship initiatives in Pakistan will continue to strengthen stakeholder perception of our local contribution. The best practices we have learned and adopted through close engagement with our Pakistan market are helping Nestlé to improve our approach to stakeholder engagement in other areas of water scarcity.



Memorandum of Understanding signing ceremony between Nestlé and WWF-Pakistan



Unsustainable water use and its poor management, in addition to threats posed by climate change, are causing increasing water scarcity in Pakistan. It is expected that businesses will, in the future, face risks related to water quantity, quality as well as regulation of the resource. We appreciate this step taken by Nestlé Pakistan in recognising the role it must play in the sustainable use and conservation of water. We hope other organisations will also step forward to work with us to manage their water footprint.”

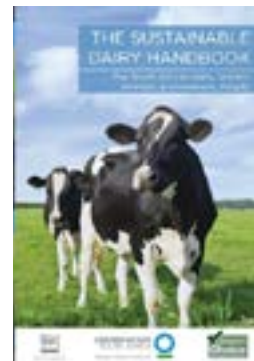
**Hammad Naqi Khan, Director General, WWF-Pakistan**

#### Optimising our cleaning process at Tavros, Greece

In our Tavros ice cream factory, working with our partner ECO-LAB, we have achieved a 12% reduction of potable water use in 2013 (12 000 m<sup>3</sup> water) and a reduction in energy use of 520 GJ of thermal energy, by changing our daily cleaning system for our production equipment. We have changed our Cleaning-In-Place software, introduced new technology chemicals and installed piping to separate the cleaning circuit for pasteurisation. The capital expenditure cost of EUR 178 000 (CHF 214 000) has delivered more flexibility to our systems and reduced the amount of water and energy we need for washing equipment every day.

#### Nestlé South Africa

South Africa is another priority area for our engagement with local stakeholders to address water issues. The focus is a business imperative, as our production activities have been impacted severely over time by water and energy shortages. We are active at different levels within the country; engaging with government authorities through a public-private partnership, called the ‘Strategic Water Partners Network’, chairing the working group on water use efficiency; while at a local level, our Mossel Bay factory is implementing Nestlé’s Zero-Eau water withdrawal initiative, seeking to achieve almost zero municipal water use for factory processes. In our local milk supply chain, we are active in promoting smarter water monitoring and management techniques to help protect the local water catchment from over-use. We have worked with leading NGO, Conservation South Africa, to produce *The Sustainable Dairy Handbook*, a guideline to help dairy farmers implement best practices in sustainable agriculture and resource conservation.



#### Nestlé Philippines wins Sustainable Business Awards

Nestlé Philippines received a first-place award for Water Management in the annual Sustainable Business Awards, which were held on 14 July in Makati City, Philippines. Conducted in partnership with PricewaterhouseCoopers, the awards aim to raise awareness on sustainable best practices for businesses, that benefit the environment, companies and all stakeholders.

The award was given to recognise our initiatives, including:

- Decreasing water consumption per ton of products produced;
- Full compliance and everyday state-of-the-art wastewater treatment facilities;
- Engagement and education in the agricultural sector;
- Water workshops via [Project WET](#) (Water Education for Teachers);
- Promotion of best practices in water management in schools through the Nestlé Water Leadership Awards; and
- The water awareness campaign using different media.

# Public policy engagement and collective action

A healthy debate around water policy moves everyone forward, including Nestlé, providing water users with the opportunity to hear different points of view, share ideas and learn from best practitioners. We are all facing a great challenge to provide water and feed the world's population in the near future, and it calls for common goals and joint efforts. Nestlé believes governments must provide leadership to establish effective water policies that give people universal access to clean and safe water. To achieve the sustainable allocation of water provisions at a local level, the policies must consider the changing nexus between water, food and energy. We are willing to help by advocating for effective water policies and water stewardship, believing that public policy dialogue about technical, operational and legal parameters leads to stronger collective action.

## Our commitment



### Advocate for effective water policies and stewardship

Nestlé maintains a strong presence in high-profile water initiatives, advocating for effective policies and stewardship. This proactive approach enables our people to engage with water issues first-hand, and helps to inform our activities at every level. In 2014, we continued to work with governments, UN bodies, international organisations, non-governmental organisations, public-private partnerships and other stakeholders, to help address global water issues. We have listed primary relationships below and shared our activities:

#### Advocating for effective policies

- **Alliance for Water Stewardship** (AWS) Nestlé is a founding partner of AWS and as a member of the AWS International Standard Development Committee, we have supported the production of their new voluntary international water stewardship standard. [Read more here.](#)
- **UN CEO Water Mandate** Nestlé is a founding signatory and we participated in the mandate's 13th (Lima) and 14th (Stockholm) Working Conference in 2014. We are active members of the mandate's three work streams and publish a [Communication on Progress](#) every year. [Read more here.](#)
- **Sustainable Agriculture Initiative** (SAI) Nestlé is a founding member of SAI, and we chair the Water Committee and actively participate in working groups such as Coffee, Dairy and Fruits. In 2014, the Water Committee organised the first water stewardship seminar in Seville. [Read more here.](#)
- **Stockholm International Water Institute** (SIWI) In 2014, Nestlé participated again in [World Water Week](#), with key speaker slots. We are renewing our partnership with SIWI for another three years.
- **The Consumer Goods Forum** (CGF) Co-chaired by our CEO, Paul Bulcke, we are active members of the organisation's Sustainability Steering Committee and on behalf of the CGF, we are members of the steering committee of the WRI Food Loss and Waste Measurement Protocol.
- **Water Benefit Partners** In September 2014, the official launch of the [Water Benefit Standard](#) took place at Stockholm's [World Water Week](#). As one of the corporate partners, Nestlé has supported the development of the standard concept over the past three years.

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Work to achieve water efficiency and sustainability across our operations

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**Advocate for effective water policies and stewardship**

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Treat the water we discharge effectively

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Engage with suppliers, especially those in agriculture

R

Raise awareness on water conservation and improve access to water and sanitation across our value chain



- **Water Footprint Network** We actively participated in a partnership initiative between the network and Anthesis, called Energising the Drop. This year, we shared information about our Coffee water footprint with other water users at the Stockholm Water Week, to encourage collective action.
- **World Business Council for Sustainable Development (WBCSD)** We currently support the activities of the [Water Leadership Group](#), and are represented on many of their work streams, which include WASH, the value of water, water stewardship and the water–energy–food–fibre nexus. Nestlé has continued to champion the [WBCSD WASH Pledge](#) across our own operations and to encourage its adoption by other businesses, acting as a vocal WASH Ambassador on the international platform, including at the 2015 UN-Water Annual International Zaragoza Conference. [Read more here.](#)
- **2030 WRG (Water Resources Group)** Nestlé continues to play a leading role in helping to convene stakeholders and this year, we hosted the first 2030 WRG workshop in Bangladesh. We continue to lead the task force in South Africa on water efficiency and leakage reduction in municipal water supply.

## The Water Challenge blog

Our Chairman, Peter Brabeck-Letmathe, leads a [Water Challenge blog](#) and hosts a [LinkedIn Water Group](#) with more than 150 000 members, established to stimulate open debate on the vital issue of water availability around the world. Topics in the past year have included: [Rising food waste and water shortage](#), [Drought and groundwater in the Great Plains of North America](#), [Water in Singapore](#), [Fighting against corruption in municipal water supply](#), [Water management](#), [Is 'improved' drinking water always also safe](#), [Water overuse](#) and [The Stockholm Water Prize](#).



Water is a human right. No amount of talking and writing can substitute good governance and management, and comprehensive and cost-effective implementation of targets set by politics.”

**Peter Brabeck-Letmathe, Chairman, Nestlé**

### Our objective

**By 2016** – Continue to build the 2030 Water Resources Group Public Private Partnership by adding two more countries per year and further develop and publicise the Global Catalogue on Good Practices<sup>8</sup>.

Many of our most senior people, including our Chairman, play a leading role in the 2030 Water Resources Group (2030 WRG). We currently chair this public–private–civil society collaboration, which seeks to catalyse practical solutions for water resources reform in water-stressed developing economies. The WRG has been invited to work in Peru and Tanzania, and is also exploring other countries such as Bangladesh, Kenya and Lebanon.

### Our objective

**By 2016** – Support the launch of the CEO Water Mandate Guide on Good Practices for Business on the Human Right to Water and Sanitation and pilot test the Guide in our water due diligence in selected markets<sup>9</sup>.

Nestlé is a founding signatory of the [UNGC CEO Water Mandate](#), which was launched to help companies develop, implement and disclose their water sustainability policies and practices. We actively participate in the Mandate's [working streams](#) on Policy Engagement, Water Disclosure and the Human Right to Water, and publish a [Communication on Progress](#) every year.

In 2014, we completed our contribution to the publication of the [CEO Water Mandate Corporate Water Disclosure Guidelines](#), which seek to harmonise reporting approaches and minimise reporting burdens, so companies spend less time on different reports and more time actively managing water. We believe the guidelines offer a common approach to disclosure. They are applicable to a broad range of corporate water users, to capture the complex and location-specific nature of water resource dynamics and corporate action.

Specifically, they address the ways in which companies:

- Measure their water performance;
- Assess conditions in the river basins where they operate;
- Understand their water-related risks, impacts and opportunities;
- Develop effective water management strategies; and
- Communicate these issues to stakeholders.

Nestlé participated in the launch of the guidelines at the 2014 [World Water Week](#) in Stockholm.

<sup>8</sup> This is an ongoing extension of our 2014 objective.

<sup>9</sup> Our 2014 objective to contribute to the Guidelines was achieved.





The Corporate Water Disclosure Guidelines are great, because they provide a robust and trustworthy common approach to reporting water issues. We are pleased to have worked with the CEO Water Mandate and supported their development, together with the World Resources Institute, CDP and PwC, and other companies."

**Christian Frutiger, Deputy Head,  
Public Affairs, Nestlé**

In January 2015, the CEO Water Mandate also launched the new [Guidance for Companies on Respecting the Human Rights to Water and Sanitation: Bringing a Human Rights Lens to Corporate Water Stewardship](#), which was co-funded by Nestlé. It is designed to help companies translate their responsibility to respect the human rights to water and sanitation into existing water management policies, practices and company cultures. The guidance, developed by the CEO Water Mandate and Shift, a leading centre of practice on implementation of the UN Guiding Principles, aims to provide companies with practical measures on how to bring a human rights lens to their existing corporate water stewardship practices. Its development was informed not only by project partners with expertise in water resources and human rights, but also by business representatives (including Nestlé), civil society organisations and UN agencies. The Guidance is applicable to a broad range of corporate water users, and underscores the important nature of effective stakeholder engagement throughout the process.

Nestlé will be using the Guidance to embed the Human Right to Water across our activities.

**Read more** about our work in support of the [CEO Water Mandate](#).

#### Our objective

**By 2014** – Contribute to the completion of the ISO 14046: Water Footprint – Principles, Requirements and Guidelines.

In July of this year we welcomed the publication of the international standard [ISO 14046:2014 Environmental management – Water footprint – Principles, Requirements and Guidelines](#). It marks the culmination of five years of collaboration between more than 90 experts across the world and Nestlé has been an active member of the working group. The standard specifies a methodology for assessing the impact on water, of products from farm to consumer and beyond, aiming to provide transparency, consistency and credibility to the water footprint results of products, processes or organisations.

In France, we have already used the new standard to measure [the water impact of a cup of Nescafé](#). The assessment determined that more than half of the water impact occurs during the agricultural stage of our value chain, and a quarter at the consumer stage.



The water impact of a cup of *Nescafé* is estimated at half a glass of water (1.4 dl)

As a result, the [Nescafé Plan](#) is helping farmers to improve agricultural practices, boosting water savings in factories, and providing consumers with tips to use the right amount of water, at the right temperature, when preparing a cup of coffee.

#### Our objective

**By 2016** – Initiate the roll-out process of the Alliance for Water Stewardship's (AWS) International Water Stewardship Standard by implementing it in at least five locations.

The international [Alliance for Water Stewardship \(AWS\) standard](#) is a universal reference tool that can be implemented or harnessed by any organisation as a framework to evaluate water stewardship practices. It provides new ways to measure and deliver water efficiency and we believe it has the potential to advance public dialogue around water stewardship, with its new universal terms of reference.

Nestlé used the AWS standard's principles this year, at selected high-priority locations. It defines a set of criteria and indicators for a site or catchment, to ensure water use is environmentally, socially and economically beneficial. The standard provides organisations with a six-step continual improvement framework that enables water stewards to commit to understand, plan, implement, evaluate and communicate water stewardship actions.

We have found it has helped us to understand more about the needs of water catchment groups and to improve our stakeholder communications. We have produced internal guidance on the AWS standard to assist our operational teams with implementation and a wider roll-out is planned for 2015. In Pakistan this year, Nestlé signed a partnership with WWF to implement the AWS standard at our Sheikhpura factory.



We believe that the new AWS standard will help companies to understand their water impacts more fully and allow continuous improvement in water management strategy.”

**Carlo Galli, Strategic and Technical Adviser for Water Resources, Nestlé**

#### Our objective

**By 2016** – Support the World Business Council for Sustainable Development (WBCSD) to achieve 50 signatories of the WASH Pledge.<sup>10</sup>

The business sector operates across a wide value chain, and it is uniquely positioned to both respect and promote the need for safe water and adequate sanitation.

Members of the [World Business Council for Sustainable Development \(WBCSD\)](#) have developed a [public pledge](#) where participating companies agree to deliver access to safe water, sanitation and hygiene (WASH) for all employees working in premises under direct company control within a three-year period.



To date, 25 signatories (including Nestlé) have adopted the WASH Pledge<sup>11</sup>, and interest has accelerated over the past 12 months. Existing signatories are from 15 business sectors<sup>12</sup>, and they represent operations in Western Europe, Eastern Europe, the United States, Asia and the Middle East. Nestlé was one of the first signatories to sign up to the pledge, believing that it demonstrates we are delivering on our Corporate Business Principles and putting our people first.

Over the past year, we have helped to promote the value of the pledge to the business community through public platforms and participation in peer to peer dialogues, including on [World Toilet Day](#) and at the WASH session of the [UN-Water Annual Zaragoza Conference](#) in January 2015.

At the current level of signatories, over 1.4 million employees<sup>13</sup> will be ensured access to safe WASH at an appropriate level, including 339 456 employees from Nestlé. We want to help the WBCSD reach 50 signatories of the pledge by 2016, believing that all participants are lending their voice to a global movement to accelerate universal access to water and sanitation. If all WBCSD member companies signed the WASH Pledge it would represent 15 million employees.



Nestlé demonstrates leadership in implementing sustainable solutions to contribute to the universal realisation of the Human Rights to Water and Sanitation, notably by counting among the first Pledge signatories and adopters. The company also leads the WBCSD Action2020 programme on business action to scale up access to water and sanitation, which involves providing expertise and inspiring others to act. At a time when the post-2015 agenda is being shaped, the momentum is right for more companies to take on Nestlé's example and sign the Pledge.”

**Peter Bakker, President & CEO, WBCSD**

See [Carlo Galli, Nestlé, speak about the WBCSD WASH Pledge here.](#)

<sup>10</sup> Our 2014 objective to contribute to the ISO 14046: Water Footprint – Principles, Requirements and Guidelines was achieved.

<sup>11</sup> 25 signatories as of 05/02/2015.

<sup>12</sup> Food & beverages, packaging, agriculture, chemicals, mobility, cement, engineering & construction, mining, oil & gas, utilities & power, water services, consulting, service provision, healthcare, and consumer goods.

<sup>13</sup> This calculation is based on the figures displayed on the respective signatories' websites and/or 2013 reports. Source: WBCSD.

## Our objective

**By 2016** – Work with the Sustainable Agriculture Initiative Platform (SAI) and the Sustainable Food Lab (SFL) to implement the Water Risk Assessment and Mitigation collaboration initiative in at least one sourcing area of agricultural raw materials<sup>14</sup>.

At the [Sustainable Food Lab \(SFL\)](#) and [SAI Platform](#) meeting in April 2013, food and beverage companies discussed the need for greater collaboration around addressing water risk in regions that are important for sourcing. In June 2014, SAI Platform and SFL launched the Joint Water Risk Assessment and Mitigation project. It is facilitating the sharing of water supply risk assessment and mitigation strategies among food companies, and partnering with existing platforms such as Water Futures Partnership to take advantage of their unique competencies.

We believe the initiative will open new avenues to promote sustainable agricultural methods (one of the key risks in many watersheds) and landscape level collaboration. Where water risk intersects agricultural uses, a collaboration of companies has the potential to bring together sustainable sourcing programmes across multiple crops and to work with farmers and suppliers to address the incentives needed for change.

The project is divided into two distinct phases:

- **Phase one:** mapping sourcing information from founding companies and additional experts
- **Phase two:** implement joint mitigation efforts in selected regions.

Nestlé has participated in Phase one of the project, along with AB InBev, Mars, PepsiCo, SAB Miller and Unilever. At the end of Phase one, three regions had been identified as possible places for joint mitigation action: Central Mexico; the central valley of California, USA; and potentially along the Ganges river in India. We will participate in Phase two of the initiative over the coming months and years.

## The impacts of drought in Cabazon, California

Nestlé Waters operates a water bottling facility at Cabazon in California, which is located within the sovereign property of the Morongo Band of Mission Indians, and we report our water use to the Tribe on a monthly basis.

The state of California has been experiencing an unprecedented drought since 2011, and the California State Water Resources Board announced in 2014 the escalation of state-wide water use restrictions for municipalities, farmers, businesses and individuals. The drought restrictions made the issue more tangible and led to Nestlé being questioned about our water use in Cabazon and elsewhere in California.

Various media and social media channels reported on the need for transparency of water use reporting and questioned the amount of water we use for bottling and where it goes. Our response included reporting our overall water use, as well as the efficiency of our bottled water operations. The management of this issue was complicated by the fact that the water we use in Cabazon is through agreement with a sovereign nation that is not required to report water use on its property to State water agencies.

We are continuously working to make this facility best-in-class in terms of water resource management:

- We consistently monitor groundwater levels at the site to identify any risks and take prompt mitigation action to avoid adverse impacts on the local aquifer system;
- We diversify the springs that provide the water for bottling to avoid over-reliance on a single spring (we can source water from any of five high-quality springs across southern California); and
- Our facility is LEED certified 'Silver' and uses equipment and procedures that minimise water loss during production, including water recovery for factory use.

Our monitoring showed that our operations are not adversely impacting the springs or surrounding groundwater levels. Indeed, we use only a fraction of 1% (0.2%) of total demand for water used by the neighbouring Coachella Valley.

The spotlight that was recently shone on our water use at Cabazon has reinforced our commitment to a water stewardship approach that engages in more regular and constructive dialogue with our water stakeholders at our Cabazon facility and across our global operations at Nestlé Waters.

At Cabazon, we will be bringing together water stakeholders throughout the region to broadly engage in constructive community dialogue about local and regional water issues. We will also continue to partner with community groups in the region, including the Inland Empire Waterkeeper, the Southern California Mountains Foundation and the Urban Conservation Corps to support watershed restoration projects.

<sup>14</sup> Our 2014 objective to use the principles of the AWS Standard as a self-assessment guide at selected high-priority locations was achieved.

# Water treatment and quality

The direct use of sufficient amounts of good-quality water in our own operations is vital for Nestlé. We use water at more than 500 facilities globally for many functions, including washing fresh raw materials, re-constituting dried raw materials, extraction, cooking, cooling and cleaning, as well as for our bottled water business. As a result, our factories not only produce nutritious products, but they also generate liquid effluents. We want to make sure we treat these effluents effectively before releasing them into the environment. Wherever possible, we use municipal wastewater treatment facilities, but where they do not exist or cannot meet our own environmental standards, we operate treatment plants.



## Effective water treatment

### Our commitment



**Treat the water we discharge effectively**

We are committed to treating the water we discharge effectively and have set strict quality targets for returning water to the

environment. In 2014, we approved a spend of CHF 18 million on new and improved treatment facilities, and strengthened our water quality requirements for new effluent treatment installations. Most recently, we introduced a new Water Process Map dashboard to identify further opportunities for improved water management.

At a corporate level, we track indicators including the quantity, destination and quality (Chemical Oxygen Demand) of discharge. All manufacturing sites are required to report their water discharge indicators monthly, which we consolidate on a global basis. Water discharges are defined as the sum of all water effluents discharged from Nestlé factories. At the end of 2014, we had reduced water discharges per tonne of product by 52% since 2005 (2013: 48.5%), with the average water quality discharged at 72 mg COD/l (2013: 76 mg COD/l).

Water effluents are generated in manufacturing from processing, cleaning and some cooling processes and they are sent to external wastewater treatment facilities or discharged to the environment after treatment. In 2014, we discharged 59% (87 million m<sup>3</sup>) of our water withdrawals.

### Using new technologies to treat and save water

We aim to use the most efficient technologies and apply best practice to optimise water consumption and minimise waste (effluent) generation.

In Mexico, we have completed a CHF 9.33 million project to open our most water-efficient factory. Over the past 60 years, water availability per person has drastically declined in the country, mainly due to population growth. Using new processes, our Cero Agua milk powder factory in the water-stressed state of Jalisco is a zero water withdrawals site.

The factory uses the water vapour generated when we evaporate cow's milk. This water is condensed, treated and recycled for use as potable process water. Through new technologies developed with our project partners, we now filter and purify it to create drinking water at the end of the process. We have also upgraded the Waste Water Treatment Plant at the factory. By condensing and treating the water, we can use it again for cooling and cleaning. The new method is saving around 1.6 million litres of water a day – enough to meet the average daily consumption of 6 400 people in the surrounding area<sup>15</sup>.

### Average quality of water discharge (million m<sup>3</sup>)

Indicator	Units	2013	2014	% annual change
Total COD load	million tonnes	6.9	6.3	-9.4%
Average quality of water discharge	mg COD/l	76.2	71.7	-6%
Total % of COD removal	% of COD removed	96.8	97.2	+0.4%

<sup>15</sup> This figure is based on use of an average daily consumption of approximately 250 l per person. Source: Tecnologías Alternativas y Ecodiseño.



**Our objective**

**By 2016** – Implement the new and strengthened Nestlé Environmental Requirements for water quality and effluent discharge in all factories in order to help protect the environment.

Ensuring our factories meet the ambitious targets for discharged water quality by 2016 is a challenge, and this year, we have prepared the application of strengthened requirements for water quality and effluent discharge through clear guidelines and information tools.

We have deployed a new Water and Effluents dashboard that captures our data on water withdrawal, water discharge and water quality reporting from 2007 to the present day. It allows better visualisation of monthly water withdrawals and discharges, monthly quality of water discharge, water withdrawal efficiency, water withdrawal by source, and it measures water quality against our internal standards at a factory level.

The system can generate a Water Process Map for factories, which contains an accurate map of the water withdrawn upstream (by source), illustrates the way we use this water in our operations and shows the water we discharge (by destination). This tool allows for data export both monthly and yearly (for a seven-year review), facilitating analysis and identifying opportunities for improvement.

Training and raising awareness among our employees is now a priority. Last year, we developed some toolkits to train our employees on the use of the Water and Effluents dashboard and Water Process Map. In 2014, we continued to roll out [e-learning on Environmental Sustainability at Nestlé](#), of which water preservation is a key focus area.

**Training and teamwork in the Philippines**

In the Philippines, all of our manufacturing facilities and distribution centres are equipped with wastewater treatment facilities and water conservation equipment. Every employee participates in these efforts, understanding that without treated wastewater that meets our standards, factory operations cannot continue.

At the Cabuyao factory Waste Water Treatment Plant (WWTP), monitoring practices are conducted at every stage of treatment, reducing the risk of potential contaminants entering the system. Profiling parameters are recorded through manual and digital data collection.

Training is critical to maintaining performance, as our operators are required to have a good understanding of water testing, conducting chemical profile tests and micro-organism analysis, and be familiar with any warning signs that would indicate poor wastewater treatment. They work to ensure that equipment is kept at optimum performance, making improvements to accuracy when opportunities arise. At Cabuyao, our team has improved air lines, increasing compressor capacity and incorporated dewatering facilities to cater to moist environments.

To keep the importance of water at the forefront, the teams have showcased the water treatment process to employees and site visitors, installing picturesque locations that make use of the site's treated water, such as fishponds and effluent waterfalls. Information on every stage of the treatment process is made public through display boards, where employees can 'walk' visitors through a site's filtration journey and biological indicators.

We are delighted that all of our Nestlé Philippines sites<sup>16</sup> have received Philippine Environment Partnership Program (PEPP) Track 1 Awards from the Department of Environment and Natural Resources. The award criteria include full compliance with all environmental standards for at least three years and sustained implementation of environmental programmes that go beyond compliance.

**Improving our water efficiency in Brazil**

In our factory in Palmeira das Missões, we turned the challenges associated with disposing of process effluents (400 m<sup>3</sup>/day) and water derived from the reverse osmosis (RO) concentration of milk (650 m<sup>3</sup>/day) also called 'cow water', into an opportunity. The implementation of a filtration system, along with UV sterilisation and on-line control chlorination, enabled the factory to reuse this water for our process. It means that today, around 90% of the water used in the factory is 'cow water'.

Seeking to keep investment costs relatively low, we modified the RO permeate water lines to supply our Cleaning-In-Process lines, cooling tower, tanker and floor cleaning. Remaining 'cow water' is used to irrigate the gardens. This project has reduced our water consumption, generating savings of CHF 148 500 for our business. We are currently investigating final phase projects which can move the factory to zero water withdrawals.

**Using natural biological digestion to treat water**

Nestlé's Fawdon confectionery factory in the UK has invested CHF 4.9 million in an anaerobic digestion system, completed in September 2014, which converts solid and liquid sewage waste into clean water and methane gas using natural biological digestion processes. The facility will save 1 000 tonnes of CO<sub>2</sub> every year, cut solid waste by 4 000kg per day, and reduce suspended and dissolved waste in effluent discharges by 95% per cent. Financial savings represent CHF 380 000 in effluent charges and CHF 600 000 in electricity charges.



<sup>16</sup> Cabuyao Factory, Lipa Factory, Cagayan de Oro Factory, Pulilan Factory, North Distribution Center, South Distribution Center and Cagayan Distribution Center.



# Water in our supply chain

Every year, Nestlé works directly with around 695 000 farmers, providing a wide range of support, from drought-resistant plantlets, to sharing information about agricultural methods that maintain a strong crop yield, while using less water. Our sphere of influence touches millions more suppliers through the commodities we purchase, such as coffee, cocoa, milk and paper for our packaging. We estimate that around 65 billion m<sup>3</sup> of water is consumed by the agricultural goods we use in our products (94% from rainwater and 6% from irrigation). Engaging with our suppliers, especially those in agriculture and forestry, is therefore critical to achieving water security and to meet our water stewardship commitments. We prioritise interventions in water scarce locations and important water areas<sup>17</sup> and provide training to farmers on water quality, water usage and retaining soil moisture. Our Research and Development teams are also focused on finding plant varieties that can reduce water usage.

## Our commitment



**Engage with suppliers, especially those in agriculture**

Nestlé's greatest challenge to reducing water consumption lies in addressing the impacts of our complex agricultural supply chains. Water management and conservation is specific to a locality and is also temporal in nature. Our research indicates that we can achieve significant improvements in water use, simply by introducing better agricultural techniques at a local farm level, and these do not always require significant investment.

Nestlé is implementing the Responsible Sourcing Guideline (RSG) for 12 major categories, with specific requirements on social and environmental aspects, including [water management guidelines](#). They are based upon and consistent with the *Principles & Practices for Sustainable Water Management in Agriculture – At a farm level* developed by the SAI Platform, together with the principles of water stewardship incorporated in commodity certification schemes and roundtables.

The Sustainable Agriculture Initiative (SAI) platform We are one of the founding members of the [Sustainable Agriculture Initiative \(SAI\) Platform](#), a non-profit organisation that supports exchange and collaboration amongst food and beverage companies. The platform promotes the principles and practices needed for sustainable water management in agriculture. It develops guidelines and practical tools based on local innovation and adapted to local conditions. Nestlé currently chairs the WaterCommittee, which in 2013 published the white paper, [Water Stewardship in Sustainable Agriculture](#), explaining the key principles behind a catchment approach.

In April 2014, the SAI Platform organised a water stewardship seminar in Seville, Spain, gathering nearly 60 people from the food and beverage industry, NGOs and the academic world, to discuss continuous improvement opportunities and the need to have a multi-stakeholder and collective action focus in managing water resources within a catchment. The event featured field visits and workshops, providing a unique pre-competitive occasion exploring methods to gain farmer support for improved irrigation initiatives and the benefits of advanced short impulse irrigation technology.

W

Work to achieve water efficiency and sustainability across our operations

A

Advocate for effective water policies and stewardship

T

Treat the water we discharge effectively

E

**Engage with suppliers, especially those in agriculture**

R

Raise awareness on water conservation and improve access to water and sanitation across our value chain

## Working with our suppliers

With over 70% of the world's available fresh water supplies used to grow food, the food and beverage industry is in a strong position to influence regional improvements in global water stewardship. Industry leaders have already achieved significant advances in sustainable water management in their operations; but focus must be extended 'outside of the factory gates', where farmers are often the biggest users of water and may represent the key stakeholders in a catchment.

<sup>17</sup> Water-related areas of a catchment that are legally protected or under a conservation agreement which, if impaired or lost, could adversely impact the environmental, social, cultural or economic benefits derived from the catchment in a significant or disproportionate manner.

### Water stewardship at the Kabini River Basin, India

The Kabini river originates in the south-western Indian State of Kerala, then flows north-east through the state of Karnataka, where our Nestlé Nanjangud factory is located. The river catchment is 7 000 km<sup>2</sup>, where 46% of its surface is agricultural land (325 000 ha), and home to 2.7 million people. In recent years, water demand has been increasing within the catchment, resulting in episodes of insufficient water supply.

Nestlé commissioned a study to:

- Increase understanding of the current water management, allocation and water scarcity;
- Explore options to improve water security and identify specific interventions;
- Establish interventions that are applicable and acceptable to local stakeholders; and
- Support a policy dialogue to upscale appropriate interventions.

The study revealed that river water discharges will decrease further in the future, while water use for drinking and irrigation will increase. It recommended that water management at a catchment level has to include the various stakeholders, in particular the agricultural sector, where most water is used. Agriculture is the biggest user of water from the Kabini catchment, using 85% of the Kabini river water for irrigation purposes. The river supplies drinking water to major cities such as Mysore and Bangalore, while the Nestlé Nanjangud factory uses about 0.04% of the water released annually by the Kabini dam, located upstream.

As possible interventions, the study suggested:

- Conducting pilot projects with paddy rice and sugarcane farmers to test their interest and likelihood of adopting improved growing techniques for water-intensive crops; and
- Launching a local policy dialogue, with the Government of Karnataka and experts such as the Alliance for Water Stewardship, Water Resources Group, and local NGOs to find ways of up-scaling initiatives to catchment scale.

Over the next two years, Nestlé will implement pilot projects and engage in policy dialogue.

### The Sustainable Agriculture Initiative at Nestlé

The Sustainable Agriculture Initiative at Nestlé (SAIN) is our own global programme to support farmers and promote sustainable development. It focuses on a range of commodities and enables us to address key challenges in water management and irrigation, such as resilience to drought and flooding; wastewater and organic waste treatment; and farm intensification techniques.

Through SAIN, we hold regional workshops for farmers, offer an intranet site where water issues and guidance are featured, and share best practice through field projects and public-private partnerships. In 2014, we implemented eight Sustainable Agriculture Initiative water projects across various markets (some of which are featured in this chapter).

 **Read more about** the Sustainable Agriculture Initiative at Nestlé in [Responsible sourcing](#).

### Reducing the water footprint of our dairy products in Colombia

In Colombia, since 2010, we have been part of a public-private partnership with the [Swiss Agency for Development and Cooperation](#), to apply the Water Footprint concept and methodology on dairy farms and at Nestlé production plants. The initiative was designed to improve water use awareness, efficiency and water pollution control. It features four Swiss and seven national companies that are active in Colombia, along with research institutions.

The project goal has been to identify water use hotspots in the life cycle of dairy products, and implement the necessary measures to reduce the water footprint. Water consumption was evaluated for the production of 1 ton of dairy product (powdered milk, milk cream and condensed milk), from farms to the final product. The results showed that 60% of the water impact takes place at the dairy farm level. At the factory level, the hotspots of water consumption were mostly related to energy consumption.

Every partner in the project committed to implement water footprint reduction measures and monitor progress. Following the results, Nestlé Colombia has taken various actions such as:

- Water spring protection and reforestation;
- Waste management within 93 dairy farms;
- Water culture programmes and drinking water purification for eight rural schools;
- Leak control, installation of a steam recycling system and standardised practices and procedures for production and cleansing in both our Florencia and Bugalagrande plants.

From 2009 to 2013, the water extracted per ton of dairy product in the Florencia plant was reduced by 44%, while electricity consumption decreased by 28%.

#### Our objective

**By 2015** – Define and start to implement action plans to save water in our upstream supply chain for coffee, sugar, rice and cereals, in high-priority locations.

This year, using the Sustainable Agriculture Initiative at Nestlé platform, we defined and began implementing an action plan to save water in our upstream supply chain for coffee.

Whilst we are advanced with our coffee action planning (Nescafé Better Farming Practices, Intelligent water management project), work is in progress to define and implement an action plan for Nestlé's sugar and cereals supply chain. We are partnering with leading NGO, [Proforest](#), to assess the risks in our sugarcane supply chain in the key sourcing regions of Mexico, Brazil and India. We will report on progress in next year's *Nestlé in society* report.

### Integrated Water Resources management for coffee in Vietnam

Vietnam is one of the world's largest Robusta coffee exporters, supporting the rural livelihoods of over 2 million people. However, it also faces significant groundwater over-exploitation issues. In 2011, Nestlé and the [Swiss Agency for Development and Co-operation \(SDC\)](#) engaged in a public-private partnership, financing a study to evaluate water sustainability in the coffee sector of Vietnam. The results showed that smallholder coffee farmers tend to irrigate up to two times more than necessary. It estimated that 60% of the water used for irrigation could be saved and costs avoided (i.e. labour and energy) of CHF 49.5 per ton of green coffee beans.

Nestlé and the SDC are now funding a project to improve irrigation practices with Vietnam's coffee farmers. What started as a study, involving a sample of a few hundred farmers, is now rolling out best practice to more than 50 000 farmers (over five years). By 2018, the project will deliver:

- An action plan for water scarce hotspots;
- An early warning weather system;
- A training programme with field schools; and
- Capacity building for local institutions.

### Water management as part of Nescafé Better Farming Practices

The Nescafé Better Farming Practices (NBFP) were designed with the Rainforest Alliance, to help farmers increase their coffee production and quality while moving towards compliance with the social and environmental sustainability criteria of the SAN and the Common Code for the Coffee Community, or 4C Code.

They contain guidelines that target the use of less water during irrigation and cleaning activities, and the preservation of water quality. Farmers are encouraged to filter and treat wastewater on the farm using local materials and easily implemented techniques, in order to avoid any soil or water body contamination. To avoid wasting water, methods are recommended at a farm level, including:

- Fixing leaks in the water distribution system;
- Monitoring the use of water for irrigation;
- Scheduling irrigation (see below); and
- Use of optimised irrigation techniques such as drip systems.

We are implementing, monitoring and tracking the implementation of the NBFP water-saving recommendations through our Farmer Connect network in Vietnam (almost 20 000 coffee growers), where Nestlé's overall water use recommendations (300 l/irrigation per round/tree) are more stringent than those of the national network of extension services.

### Low-budget solutions for irrigation scheduling

Scheduling irrigation can also significantly reduce water usage, but it requires an efficient timing method to be effective. A simple solution to this issue has been inspired by local farmers, who are using empty condensed milk cans and plastic bottles to monitor rainfall and soil water content. These common household items provide a simple and handy way of measuring key parameters at minimal costs.

Monitoring rainfall consists of observing the amount of water accumulated in the empty condensed milk can after rainfall events. Farmers know that the amount of water in the can corresponds to a certain amount of water per tree and they can compensate for the missing amount of water required per tree with irrigation (two-thirds of a can equals ~400 l/tree).

Monitoring soil water content consists of inserting a PET bottle upside down in the soil and observing the amount of water condensing inside of it. This condensed water is proportional to the evapotranspiration occurring at a specific time and place, so the more water droplets appearing inside the bottle, the higher the moisture content of the soil. Again, when droplets become sparse, irrigation can be applied.

### Wastewater treatment in Brazil

Over several generations the fast expansion of farmland into new geographical territories in Brazil has left behind the development of physical infrastructure. As a result, a number of farmers' houses are not connected to a sewerage system and they lack wastewater treatment facilities, which could lead to environmental pollution and contamination of rivers and streams.

As part of the [Nescafé Plan](#), and in response to the needs identified by coffee farmer communities, we introduced a pilot project to treat a farm's household wastewater on-farm, before it is discharged to the environment. In 2012 and 2013, a total of 35 septic tanks were installed on coffee farms in the South Minas region, awarded to the farmers who participated in the *Nescafé Plan* training sessions and implemented the best practices in their farms. This was one of the activities carried out by the *Nescafé Plan* in those communities.

## Intelligent water management in Colombia

The Intelligent Water Management (IWM) project seeks to enhance the resilience of the Colombian coffee sector against the effects of climate change and water challenges, through the improvement of environmental performance at a farm and watershed level.

Colombia endures a dual water challenge with both water shortage and excess, with 23% of the population facing problems of access to water during dry years and close to 10% affected by intense rain events. This water imbalance has a strong negative effect on the productivity of farms, with harvest drops of up to 40%.

In rural Colombia, 25% of the population is active in coffee farming, where 95% are smallholders. Since coffee is the country's main agricultural product, the effective implementation of an integrated water management system depends on the inclusion of the coffee sector as a pioneer and an axis stakeholder – especially since the occurrence and severity of extreme events is likely to increase.

To address these issues, *Nescafé* and *Nespresso* launched a major water stewardship initiative with the Dutch Ministry of Foreign Affairs, the Colombian Federation of Coffee Growers, the Wageningen University and the Ministry of Rural Development. With an overall budget of EUR 20.5 million (CHF 24.6) over five years (2014–2018), the project is focusing on four key complementary and scalable action areas:

- 1. Clean Technology Transfer** – water savings and quality improvements of the water discharged after coffee-washing processes;
- 2. Healthy Ecosystems** – use of agroforestry and bio-engineering to minimise soil erosion and ensure the conservation of important water areas (aquifer recharge and spring sites);
- 3. Knowledge Generation** – implement a Water & Climate Monitoring System and apply best practices to prevent water loss; and
- 4. Cooperation & Participation** – collective action and advocacy to ensure the project impact lasts over the long term.

The project includes a comprehensive monitoring process with eight impact measurement areas, 30 key performance and 120 result indicators. It will benefit families and industries that depend on water for their productivity and competitiveness across 25 river basins, as well as the ecosystems that support them.

# Community engagement

We want to raise awareness on water conservation and improve access to water and sanitation across our value chain. Everyone has the human right to clean, safe drinking water and sanitation, and it is unacceptable that today, some are unable to access either. We are continuing to work with expert partners, including the [World Business Council for Sustainable Development](#) and the [International Federation of Red Cross and Red Crescent Societies](#) to improve access to water and sanitation, and in 2014, almost 400 000 people had access to water, sanitation or hygiene around our manufacturing facilities and in Farmer Connect areas. Through education initiatives, we are supporting our employees, our suppliers and our consumers to improve their understanding of water issues and to make better-informed decisions that can help to deliver effective water stewardship. Over the past 20 years, Nestlé has sponsored the global water education programme, Project WET, which has reached out to hundreds of thousands of beneficiaries in 66 countries. Together, small behavioural changes can make a big difference.

## Improving access to water and sanitation

### Our commitment



**Raise awareness on water conservation and improve access to water and sanitation across our value chain**

The World Health Organization estimates that every person needs 50 to 100 litres of fresh water per day to meet their basic daily needs. But today, as estimated by the WBCSD, more than 1.8 billion people depend on unsafe drinking water, and an estimated 4 billion lack access to basic sanitation<sup>18</sup>. We believe that everyone has the human right to clean, safe drinking water and sanitation.

We also believe there is a clear and compelling economic case for all businesses to act and demonstrate leadership by addressing the current situation. A lack of access to safe water, sanitation and hygiene can cause illness or death, impair productivity, and restrict markets for some products and services. Read more about our approach to [Human rights and compliance](#) in this report.

### Local partnerships

Around the world, we engage at a local level in many ways to raise awareness on water conservation and improve community access to water and sanitation. It can involve investment in infrastructure, educational initiatives or simply providing bottled water during a time of crisis. To promote positive collective action, it is vital to ensure our initiatives are suited to the community and the water catchment they will support. Our activities must take into account local priorities and local needs, creating sustainable outcomes.

For instance, in [Pakistan](#), as a part of a Community Engagement Programme and to support local communities, Nestlé Pakistan set up seven clean drinking water facilities in our operational areas. Located in Muzaffargarh, Kot Addu, Khanewal, Kabirwala and Sheikhpura (including Bhatti Dhillwan), these facilities provide clean drinking water to approximately 35 000 people every day.

In Llanquihue, Chile, where we have a dairy factory, we have started an educational programme on water, to teach students about its importance. The initiative is part of our work with SuizAgua, which is also active in Colombia, where we are working to measure and reduce our water footprint.

W

Work to achieve water efficiency and sustainability across our operations

A

Advocate for effective water policies and stewardship

T

Treat the water we discharge effectively

E

Engage with suppliers, especially those in agriculture

R

**Raise awareness on water conservation and improve access to water and sanitation across our value chain**

<sup>18</sup> [www.wbcsd.org/work-program/sector-projects/water/accesswatersanitation.aspx](http://www.wbcsd.org/work-program/sector-projects/water/accesswatersanitation.aspx)



Our on-going support for [Project WET](#), is another way in which we raise awareness: in 2014, Project WET in Nigeria directly reached 3 275 pupils and 161 teachers in 55 schools in the states of Lagos and Osun; through Project WET in China we have a partnership with the Hydration Committee of the China National Health Association for project implementation; Project WET activities with schools also took place in Germany, Greece and Vietnam.

We also use opportunities, such as the biennial Nestlé CSV Prize, to bring attention to issues of water and sanitation: the 2014 runner-ups were Msabi's [True Life Water Point programme in Tanzania](#), and Sanergy's Sustainable Sanitation in Africa's Informal Settlements in Kenya.

#### Access to clean water in South Asia

- **280** drinking water projects
- **166 000** students benefiting from drinking water projects
- **60 000** students benefiting from our water awareness programme
- **144** sanitation projects
- **50 736** girls benefiting from sanitation projects

## WASH in the workplace

### Our objective

**By 2015** – Every Nestlé employee has access to safe water, sanitation and hygiene of an appropriate standard at the workplace.

Adopting and promoting the [WBCSD WASH Pledge](#) drives our practical contribution to address the global challenge of providing access to safe water, sanitation and hygiene at the workplace. In 2014, Nestlé launched the pledge across all of our operations, and tested the new WBCSD self-assessment tool at representative manufacturing facilities.

The tool analyses company facilities and provides guidance on best practices in the workplace. It enables us to score the current status of a site, identify gaps and promote improvements.

Overall, our performance against the pledge has been found to be 'very good'. We will use the self-assessment tool in all premises under our control by the end of 2015 and have provided guidance tools to our teams for support.

## Promoting water stewardship in Cameroon

In 2014, we completed a Water Resources Review (WRR) at our Douala factory in Cameroon where we produce *Maggi* soup bases. We used the [WBCSD WASH](#) self-assessment tool to examine access to water, sanitation and hygiene for more than 500 employees, vendors and visitors to the site. It included self-assessment interviews and a tour inside the factory sites focusing on categories such as workplace water supply, workplace sanitation and workplace hygiene.

The factory satisfactorily met the pledge's overall compliance levels and we have developed an action plan to tackle the few improvement issues it highlighted. The assessment demonstrated the importance of establishing adequate water and sanitation facilities for more than 500 workers on site and in providing safe and clean drinking water at two water fountains. Communities as far as two to three kilometres away also benefit from free access to water fountains on site during set hours, resulting in around 5 000 litres of water being collected by local residents every day.

Feedback from the assessment will be used as a guide for other Nestlé Cameroon sites, such as our distribution centres and head office. Working together with the Local Authority, a new CHF 474 905 wastewater drainage project is planned to help reduce the risk of flooding and improve the local environment for communities.



## Collaborating with expert partners

### Our objective

**By 2016** – 350 000 beneficiaries in local communities will have access to water, sanitation or hygiene projects around our manufacturing facilities and in Farmer Connect areas.

Nestlé was the first corporate partner of the [International Federation of Red Cross and Red Crescent Societies \(IFRC\)](#) in 2002 and in October 2014, we renewed our long-standing collaboration, committing to contribute CHF 5 million over five years to the organisation. Both the IFRC and Nestlé are facilitating country-level collaborations and many Nestlé country offices are now engaging directly with Red Cross/Red Crescent national societies. Since 2006, the partnership has seen a particular focus on improving the water access of rural communities and more recently, it has sought to improve access to water and sanitation.

After a pilot project in Mozambique in 2006, the work focused on access to water, sanitation and hygiene for rural communities in Côte d'Ivoire, especially in cocoa-growing areas.

In 2013, a programme of activities took place in Côte d'Ivoire to help improve health and hygiene awareness among vulnerable groups, including schoolchildren, teachers and local community members. Local-level implementation has helped to reduce the risk of transmission of diarrhoeal diseases by promoting good health and hygiene, monitoring, capacity building to change behaviours and better access to safe water and basic facilities.

At the end of 2014, almost 400 000 beneficiaries in local communities had access to water, sanitation and hygiene projects around our manufacturing facilities and in Farmer Connect areas, including 196 546 people in Côte d'Ivoire's cocoa communities. It means we have reached our 2016 target early.

We will continue to expand the water access and hygiene project to neighbouring Ghana, where in both urban and rural areas, improved sanitation is available to a very small proportion of the population. Together, the partnership will seek to improve access to sustainable wash services for 100 000 people and children in rural areas of Ghana.



Our work on water and sanitation is a key component of the continuum, and we are pleased to partner with Nestlé in that area. Safe access to water and sanitation provides a fertile ground for better health and quality of life."

**Elhadj As Sy, Secretary General, IFRC**

### Water for emergencies

We have a long history of helping local communities in cases of natural disaster: by trucking in bottled water (for example after hurricanes and big storms), using our own milk tankers or via ready-to-use water-filling stations at our factories in emerging countries. This year, 2 886 639 bottles of water were donated by Nestlé to communities in need of fresh water.

### Supporting water education

Nestlé is continuing to sponsor Project WET Foundation, a global water education organisation that delivers pedagogical programmes to help children, parents and teachers understand water conservation and hydration issues.

This year, Nestlé Waters expanded the programme into Osun State in Nigeria, and continued the momentum of programmes in China, Jordan and Egypt. In Lebanon, the Ministry of Water and Energy launched a National Water Awareness Campaign due to 2014 being a particularly dry year, and Nestlé Waters will be supporting the educational element of the campaign through Project WET activities.

Project WET's interactive activities are also used at our factories each year, to mark World Water Day. In 2014, company events took place in 32 countries, with more than 22 000 children participating and around 650 employees helping with the organisation.

### World Water Day

**In Argentina:** At our Moreno and Tunuyán factory sites, teams of volunteer employees organised activities to promote Project WET's healthy hydration programme for colleagues and families, including the use of an interactive tablet game.

**In Thailand:** At the Prae Fatima School in the capital city of Bangkok, our employees joined government officials and dozens of students for a day of water education events. They used the 'Incredible Journey' Project WET module that asks participants to consider where the water we drink today will end up tomorrow, using footballs to stand in as water molecules and giant boards to represent the different places through which water travels.

**In Lebanon:** We organised and hosted Project WET activities for more than 1 400 children, of all abilities, from 16 schools. Events were hosted with different partners, including the Shouf Biosphere Reserve, the local municipality of Tyre and the United Nations Interim Force in Lebanon.

**In Italy:** Our Vera factory volunteers set up and taught Project WET activities to 250 children from local primary schools in public spaces in San Giorgio di Bosco. The Sanpellegrino team also partnered with one of Milan's cultural hotspots, the Museum of Science and Technology, for a day dedicated to water. Employee volunteers guided 100 kids and Nestlé employees from all business divisions in a series of Project WET activities.

**In North America:** World Water Day was celebrated by holding festivals in two US cities. In Stamford, Connecticut, more than 20 employee volunteers presented an afternoon of interactive educational water activities for 100 children from two local schools, where kids rotated through activity stations. At the Harmony School of Nature and Athletics in Dallas, Texas, our employee volunteers led 80 students through water and recycling activities designed to inspire lifelong water stewardship and sustainability practices.

**In Nigeria:** Project WET's contribution to the Support Our Schools Initiative received a Creating Shared Value award, granted by the Governor of Lagos State. On World Water Day at our Agbara factory, 100 pupils from 10 schools, 10 teachers and three officials from the Lagos State Universal Basic Education Board took part in an interactive tour of the production facility and Project WET games around water conservation and healthy hydration.

32

countries held events

Over 22 000

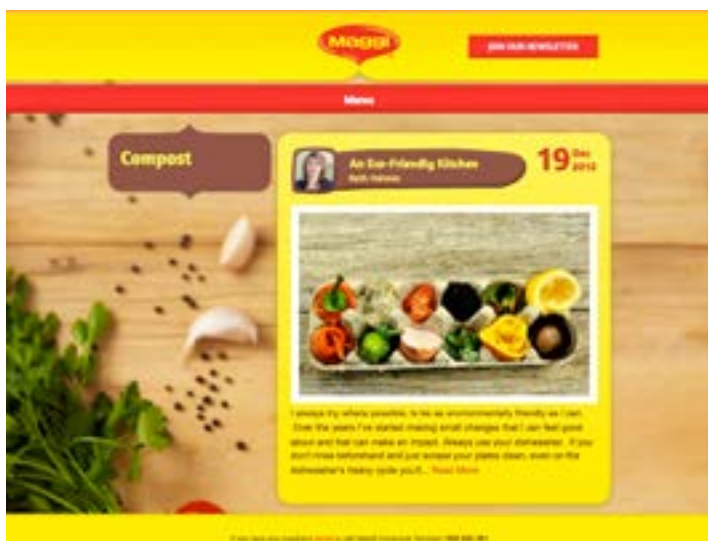
children participated

## Helping consumers to lower their water use

Using product packaging and the internet, we are reaching out to consumers, providing them with meaningful and accurate environmental information about how simple changes in behaviour can reduce water use when preparing our products.

For example, while consuming *Maggi Healthy Soups* we recommend that consumers:

- Use only as much water as they need to prepare the soup;
- Wash dishes in a water-efficient way; and
- Avoid food waste.



Food waste is also significant in terms of water and its corresponding water usage accounts for three times the volume of Lake Geneva.

We don't forget that our employees are also consumers, and the internal campaign, 'I'm doing it', encourages our people to recycle water bottles. It has been deployed by our markets, most notably Thailand.

[Read more about how Nestlé is promoting sustainable consumption.](#)

## The Nestlé Waters Community Relations programme

Nestlé Waters is continuing to implement a Community Relations programme, having launched community relations guidelines in 2012 and piloted them at six factories in 2013.

The Nestlé Waters programme seeks to demonstrate a constructive and respectful mindset when engaging with local stakeholders. A transparent and open ongoing dialogue is essential to understanding the expectations and concerns of site neighbours, whilst also addressing public misconceptions around bottled water operations. Although attention is firstly paid to potential water-related issues, the Community Relations programme covers any type of question that the presence of our factory within the community might raise. By working together with the surrounding community, Factory Managers are able to define the most appropriate corrective actions to implement, and strengthen the relevancy of Nestlé Waters' local contributions. To date, the programme has been rolled out to 16 factories around the world.

At the Nestlé *Pure Life* factory in Blida, Algeria, the programme began by identifying key stakeholders, and inviting these community, religious and educational leaders to open discussions at the factory, working with them to agree ways to address their key issues. Local concerns centred on traffic noise, traffic volume and road safety.

An action plan was developed and has resulted in improved traffic signals in front of the local school, road safety awareness-raising at the school and around the village, and a parking zone at the edge of the village to avoid a rush of trucks coinciding with school start and finish times. To provide further opportunities for local economic development, the factory has also set up a literacy programme, attended by 22 women villagers to date, and conducted a skills audit of local people, which led to some of them being selected as local distributors and considered for relevant jobs at the factory.



Our simple contribution to tolerance and open-mindedness, and our focus on children, have allowed us to build strong relations with the community and to strengthen our dialogue with the village's representatives."

**Yacine Mehdi, HR and Industrial Relations Manager, Nestlé Waters Algeria**



# Environmental sustainability

Environmental sustainability means protecting the future by making the right choices, in a world where water is increasingly scarce, natural resources are constrained and biodiversity is declining, and where climate change may exacerbate these challenges. Our goal is that Nestlé's products are not only to be tastier and healthier but also better for the environment along their value chain. Environmental sustainability also means delighting consumers – giving them another reason to trust Nestlé and enjoy our products, and living up to employees' and external stakeholders' expectations about our environmental responsibility and practices.

## The year in brief

### 2014 highlights

**1st**

Highest industry score in the 'environmental dimension' of Dow Jones Sustainability Index Series

**1st**

Retained first position in Oxfam's *Behind the Brands* scorecard

**1st**

Top in the 2014 CDP Forest consumer staples sector and leadership status in 2014 CDP water

**45 805 tonnes**

Packaging material avoided in 2014

**72**

Nestlé factories (15%) achieving zero waste for disposal

**109**

Countries where fact-based environmental information is accessible to consumers

### Challenges

#### Achieving zero waste for disposal

In many countries, public recycling facilities and infrastructure are insufficiently developed.

#### Optimal packaging

Finding designs that allow us to save packaging material and avoid food wastage.

#### Consumer engagement

Environmental sustainability is a complex topic to explain to consumers.

#### Biodiversity

Consistent global data to guide our activities remains difficult to obtain and requires close collaboration with a number of partners.

### What we are doing

#### Food wastage

To help reduce food wastage along the value chain, we established the Nestlé Zero Food Wastage Taskforce to manage our programme of activities and guide multi-stakeholder initiatives, and launched The Nestlé Commitment on Food Waste.

#### Piloting environmental footprinting for food products

A number of our businesses were selected by the European Commission to co-lead a three-year pilot project to develop a common environmental footprint methodology for food products.

#### Communication to consumers

We have launched NESECA, a simple web-based tool designed to improve the accuracy of our environmental and social communication, and to accelerate the process for validating claims.

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## Our role in environmental sustainability

Food production and consumption can take up an important share of the world's resources. As an essential prerequisite for Creating Shared Value, we not only have to comply with all applicable legal requirements and the Nestlé Corporate Business Principles but also ensure that the principle of sustainability is embedded into all of our activities, brands and products. This is particularly important in an environment where water is increasingly scarce, natural resources are constrained and biodiversity is declining. All of these elements are vital for feeding a growing world population and for the development of Nestlé. Moreover, climate change may exacerbate our planet's environmental challenges.

As stated in The Nestlé Policy on Environmental Sustainability, we are committed to environmentally sustainable business practices at all stages of the product life cycle. This means making the right choices to protect the future, by using sustainably managed and renewable resources where we can, using natural resources efficiently and continuing to work towards our target of zero waste. To help us assess and improve the environmental performance of our products along their value chain, we adopt a life-cycle assessment (LCA) approach.

### Material issues

In 2014, we engaged SustainAbility, working together with Accenture for a commercial point of view, to quantify and rank our material issues. They were mapped with regard to the degree of importance Nestlé stakeholders place on the issue in different parts of the value chain, and to where financial, operational and reputational impacts would be felt in the value chain.

Each issue is made up of a number of sub-issues, which were highlighted during the research process. The consultancy used the sub-issues as a lens, to define the scope of analysis. In this section, we have provided a synthesis of the findings related to Environmental Sustainability. [Read more here.](#)






In 2014, four material issues – and a number of specific sub-issues – falling under the banner of environmental sustainability were rated as being of concern to our stakeholders and of strategic importance to our business. They spanned **climate change**; **natural capital**, including biodiversity, deforestation and soil fertility; **resource efficiency and waste**, including energy consumption, land use, littering and the environmental impacts associated with our manufacturing operations and packaging; and **food waste**.

Mitigating climate change is a primary concern of our stakeholders and for many, managing the impacts on agriculture is a particular focus. Our stakeholders are advancing concerted multi-stakeholder actions to protect natural capital, reduce resource consumption and enable solutions likened to the circular economy.

 See also [Water](#)



## Environmental grievance mechanisms G4-DMA

MATERIALITY ISSUE	VALUE CHAIN					KEY: <div><div></div> Moderate</div> <div><div></div> Significant</div> <div><div></div> Major</div>
	<div> Agriculture</div>	<div> Tier 1 Suppliers</div>	<div> Nestlé</div>	<div> Retail/ Business Channels</div>	<div> Consumers</div>	
Resource efficiency and waste						
<div>Improving the direct and indirect use of resources, reducing waste and optimising opportunities for recovery, reuse or recycling of by-products, and disposing of waste appropriately.</div> <div><b>Sub-issues defined</b> Resource efficiency and waste combines packaging, manufacturing and transport and distribution that were distinct issues in the 2013 matrix.<ul style="list-style-type: none"><li><b>Consumer behaviour:</b> Informing consumers about the environmental performance of products to raise awareness and foster more resource-efficient behaviours.</li><li><b>Energy consumption:</b> Direct and indirect energy use; composition of energy supply and efficiency measures.</li><li><b>Land use:</b> Managing the arrangements, activities and inputs undertaken to produce, change or maintain land.</li><li><b>Littering:</b> Reducing pollution of the environment from packaging and waste products discarded without consent in land and water.</li><li><b>Manufacturing environmental impacts:</b> Improving the environmental impacts (e.g. air and water pollution) of the production process.</li><li><b>Packaging:</b> Optimising packaging design and materials, considering product and packaging impacts across the life cycle.</li><li><b>Transport and distribution:</b> Improving the environmental impacts of transport and distribution.</li></ul></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
Food waste						
<div>Avoiding food waste and losses along the value chain, including consumer and post-consumer use, distribution, manufacturing and agriculture.</div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
Climate change						
<div>Reducing GHG emissions and contributing to the mitigation of, and adaptation to, the effects of climate change.</div> <div><b>Sub-issues defined</b><ul style="list-style-type: none"><li><b>Climate change adaptation:</b> Efforts undertaken to adapt to the effects of climate change.</li><li><b>Climate change mitigation:</b> Efforts undertaken to reduce the release of GHGs, including energy efficiency efforts, fuel shift, renewable energy, carbon markets, etc.</li></ul></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
Natural capital						
<div>Identifying and preserving elements of ecosystem services that generate value, both directly and indirectly.</div> <div><b>Sub-issues defined</b><ul style="list-style-type: none"><li><b>Biodiversity:</b> Valuing natural habitats, ecosystems and the services they offer.</li><li><b>Deforestation:</b> Addressing the consequences of clearing forest for non-forest use.</li><li><b>Soil fertility:</b> Using soil in the production of inputs in a productive and sustainable manner.</li></ul></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	

Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Environmental grievance mechanisms G4-DMA, Products and services G4-DMA, Compliance G4-DMA (Environmental), G4-EN29, Transport G4-DMA, Overall G4-DMA, Supplier environmental assessment G4-DMA

## Our commitments

In [Nestlé's Corporate Business Principles](#), which lay the foundations for everything we do, we commit ourselves to "environmentally sustainable business practices. At all stages of the product life cycle, we strive to use natural resources efficiently, favour the use of sustainably managed renewable resources and target zero waste.

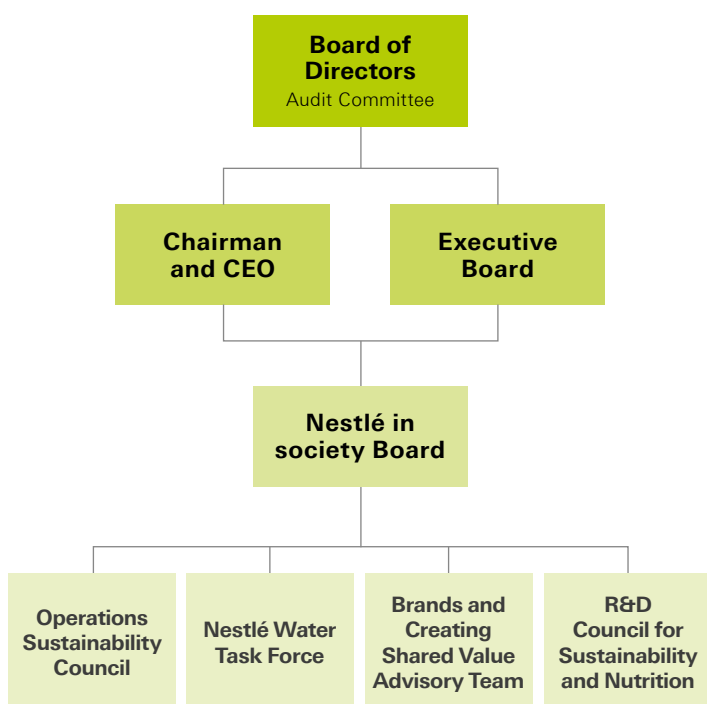
The public commitments Nestlé introduced in 2012 reflect the [material issues](#) of our business and enable stakeholders to challenge us about our performance and how we address the issues we face. Our commitments in the area of environmental sustainability are to:

- [Improve resource efficiency in our operations](#);
- [Improve the environmental performance of our packaging](#);
- [Assess and optimise the environmental impact of our products](#);
- [Provide climate change leadership](#);
- [Preserve natural capital, including forests](#); and
- [Provide meaningful and accurate environmental information and dialogue](#).

## Governance and management systems

The strategic implementation of Creating Shared Value across all Nestlé businesses is overseen by the **Nestlé in society Board**, chaired by the CEO; management is accountable for implementing our environmental management system across the business.

Responsibilities for implementation at country and site level lie with management team members, country-level environmental sustainability managers and plant managers, supported by site environmental sustainability managers (see diagram).



The Board of Directors and the Executive Board are assisted by a number of governance bodies with responsibility for environmental sustainability, including:

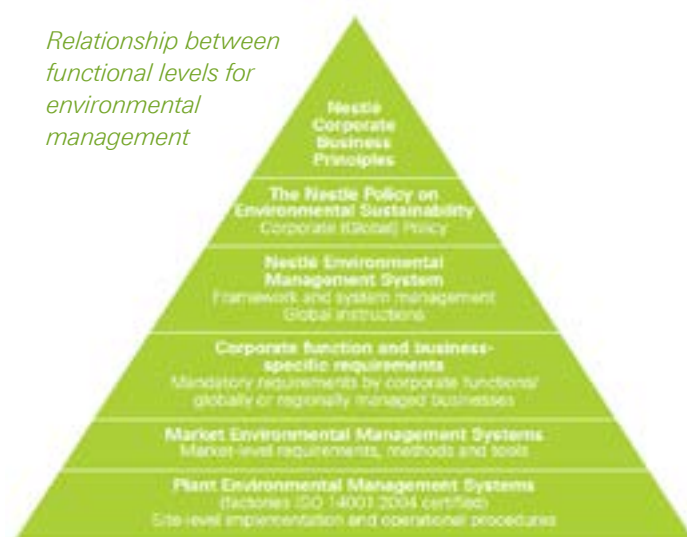
- **Board of Directors Audit Committee** – assists the Board of Directors in fulfilling its responsibilities with respect to the accounting and financial reporting, the internal and external audit processes, and its overview of the risk management processes. Chaired by Rolf Hänggi, member of the Board of Directors;
- **Operations Sustainability Council** – ensures the integration of sustainability throughout the company. Chaired by José Lopez, Executive Vice President and Head of Operations;
- **Water Task Force** – helps our corporate functions and markets to execute Nestlé's commitments. Chaired by José Lopez, Executive Vice President and Head of Operations;
- **Brands and Creating Shared Value Advisory Team** – guides the effective communication of initiatives to consumers. Chaired by Tom Buday, Head of Marketing and Consumer Communication; and
- **R&D Council for Sustainability and Nutrition** – ensures the implementation of Sustainability by Design across the research and development organisation. Chaired by Stefan Catsicas, Chief Technology Officer.

## Strategic masterplanning

In 2014, we held two strategic masterplanning workshops at our headquarters in Vevey to create a roadmap for implementation through to 2017. The process is ongoing and is led by a team of representatives from across the business to guide and monitor implementation, improve transparency and avoid duplication.

## ISO 14001:2004 certification

*Relationship between functional levels for environmental management*



G4-14, G4-26, G4-27, Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Environmental grievance mechanisms G4-DMA, Products and services G4-DMA, Compliance G4-DMA (Environmental), Transport G4-DMA, Overall G4-DMA, Supplier environmental assessment G4-DMA

All our sites use the Nestlé Environmental Management System, which conforms to ISO 14001:2004 – an internationally recognised standard for environmental management.

To ensure consistent and coherent implementation around the world, all our manufacturing sites apply for ISO 14001:2004 certification by independent accredited bodies. By the end of 2014, 447 Nestlé manufacturing sites (92%) were 14001:2004 certified. In addition, 122 distribution facilities, 26 R&D centres and 26 Nestlé offices have also obtained ISO 14001:2004 certification, increasing the total number of certified sites to 621 (2013: 601 sites)<sup>1</sup>.

We aim to maintain ISO 14001:2004 certification at all our factories.

ISO 14001:2004 certification	2013	2014
Total sites <sup>1</sup>	601	621
Manufacturing sites <sup>2</sup>	446	447
Distribution facilities	130	122
R&D centres	25	26

## Our policies and standards

[The Nestlé Policy on Environmental Sustainability](#) enshrines our CEO's commitment to environmentally sustainable business practices. Originally launched in 1991, it was reissued in 2013 and covers our product life-cycle approach across the Nestlé value chain – from farm to consumer and beyond. It identifies six focus areas: water preservation; natural resources efficiency; biodiversity conservation; air emissions reduction; climate change adaptation; and zero waste.

The Nestlé Policy on Environmental Sustainability incorporates the United Nations Global Compact (UNGC) [environmental principles](#), which state that businesses should: support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of technologies with a better environmental performance.

The policy is complemented by more detailed commitments on key environmental issues, including:

- [The Nestlé Commitment on Climate Change](#);
- [The Nestlé Commitment on Biofuels](#);
- [The Nestlé Commitment on Water Stewardship](#);
- [The Nestlé Commitment on Natural Capital](#);
- [The Nestlé Commitment on Food Waste](#); and
- [The Nestlé Commitment on Deforestation and Forest Stewardship](#).

<sup>1</sup> Includes factories, R&D locations, distribution centres and offices. 2013 figure does not include offices.

<sup>2</sup> As per our internal policy, 100% of Nestlé factories present and active in the Group for more than three years are ISO 14001 certified.

## Multistakeholder collaboration

At a regional and a global level, we [engage with stakeholders](#), develop key partnerships and nurture constructive relations with organisations that are critical to our environmental performance.

- **Consumer Goods Forum (CGF)** – Co-chaired by our CEO, Paul Bulcke. We are an active member of the CGF's Sustainability Steering Committee, developing action plans to help achieve zero net deforestation by 2020, and mobilising resources to begin phasing out HFC refrigerants as of 2015 and replace them with natural refrigerant alternatives when purchasing point-of-sale units and large refrigeration installations. See [Packaging](#) and [Climate change](#).
- **The European Food Sustainable Consumption and Production Roundtable** – Together with the European Commission, we co-chair the Steering Committee on behalf of the food chain. It involves the United Nations (UN) Environment Programme and the European Environment Agency, and has issued the ENVIFOOD Protocol, the harmonised methodology for the assessment of environmental performance of food, feed and drinks, which we support. We are participating in the European Union Product Environmental Footprint pilot for food and drinks products ([see Environmental life cycle of products](#)).
- **FoodDrinkEurope Environmental Sustainability Committee** – Chaired by Nestlé, the committee represents the European food and drink industry and has launched the 'Every Crumb Counts' declaration to combat food wastage. See [Waste and recovery](#).
- **UNEP FAO Agri-food Task Force on Sustainable Consumption and Production** – We are an active member representing the private sector to develop measurement, communications and continual improvement.
- **United Nations Framework Convention on Climate Change** – We are a partner of the Adaptation Private Sector Initiative, which seeks to share innovative solutions to climate change adaptation. [See Climate change](#).
- **Climate Disclosure Standards Board (CDSB)** – Nestlé's Sustainability Systems and Reporting Manager is a member of the CDSB's Technical Working Group, and represents our commitment to disclose [climate change](#) information in conformance with the [CDSB's](#) framework.
- **The Cambridge Programme for Sustainability Leadership** – We support and chair the Natural Capital Leaders Platform, which is developing a strategy for the next three years to help members embark on a net positive journey.
- **WWF Bioplastic Feedstock Alliance** – A pre-competitive, multi-stakeholder forum focused on increasing awareness around the environmental and social performance of potential feedstock sources for bio-based plastics for packaging and other applications.
- **World Resource Institute (WRI)** – On behalf of the CGF (see above), we are a member of the steering committee of the WRI Food Loss and Waste Measurement Protocol and are currently conducting a pilot to evaluate food waste across our supply chain.

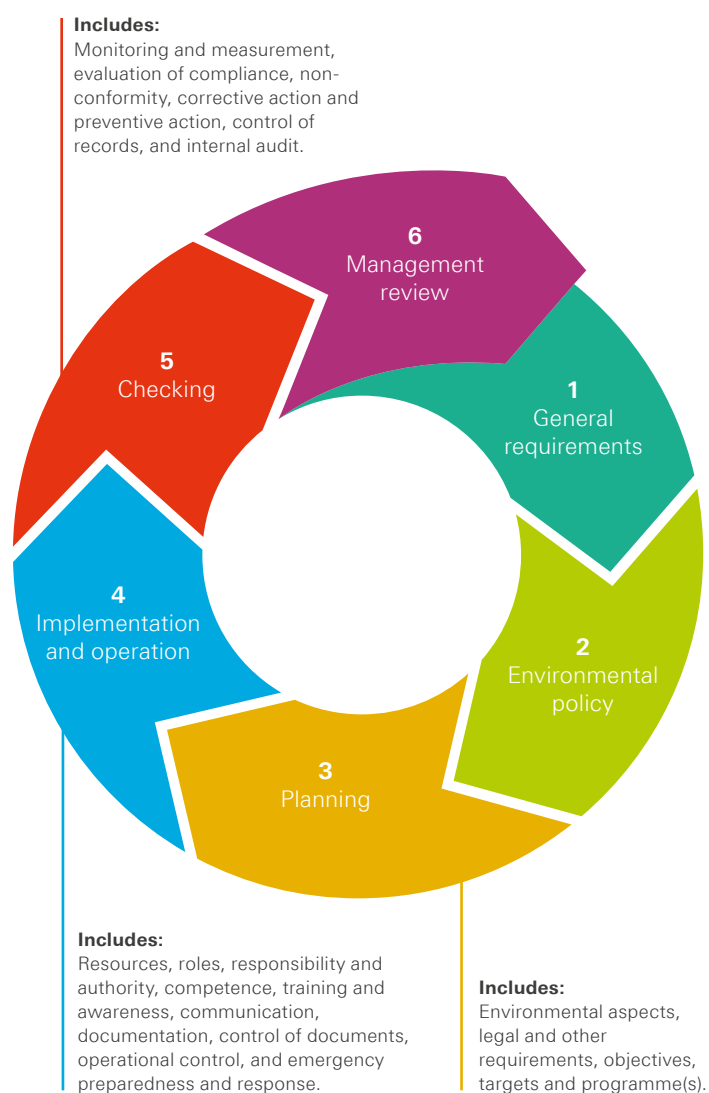
We also collaborate with organisations such as the 2030 Water Resources Group and World Business Council for Sustainable Development (WBCSD) on a range of [water, sanitation and hygiene-related issues](#) and actively participate in a number of multi-stakeholder initiatives to combat [food wastage](#).

## The Nestlé Environmental Management System

The Nestlé Policy on Environmental Sustainability is implemented through the Nestlé Environmental Management System. The system is designed to improve environmental performance, help ensure compliance with all relevant requirements and enable our factories to achieve ISO 14001:2004 certification.

Management is accountable for its implementation within their area of responsibility.

### Nestlé Environmental Management System



### Monitoring and auditing

We monitor our [environmental performance](#) at a factory level using SHE-PM (Safety, Health and Environmental Sustainability – Performance Management) – see [definitions and comments on environmental performance indicators](#).

Our processes for reporting and managing incidents are set out in detail in the Nestlé Environmental Management System. Any major incidents relating to [safety, health](#) and environmental sustainability are reported to appropriate senior management within 24 hours. An investigation is initiated immediately and, in the case of major incidents involving our sites or employees, overseen by the relevant senior functional manager.

More detailed reporting on environmental incidents can be found in [our response](#) to the CDP water programme (pages 71–72).

	2013	2014
Total cost of environmental fines	CHF 110 000	CHF 75 000

### Training our employees

We are committed to environmental awareness training and education for our employees, alongside effective communication with them, and recognition of their initiatives and achievements towards environmental improvement.

Strengthening our ability to meet our commitments, we ran training sessions in 86 countries in 2014 (2013: 79), and plan to extend this to all countries of operation by 2016. From January to December 2014, more than 3 700 Nestlé employees around the world successfully completed the Environmental Sustainability at Nestlé e-learning course, to enhance their knowledge and learn how to apply environmentally sustainable business practices.

During 2014, we also delivered the Nestlé Environmental Sustainability Leadership workshop. We made Nestlé Resourceful in Switzerland, Spain, Dubai and Turkey, and launched a train-the-trainers plan to assist in the wider deployment of this workshop across our markets.

Senior managers also have the opportunity to attend the Prince of Wales's Business & Sustainability Programme at Cambridge University. Read more about [employee training](#).

### Summary of 2014 consolidated Nestlé environmental performance indicators

Our key performance indicators help to measure our progress and demonstrate compliance. They are aligned with our Creating Shared Value commitments and the external schemes we report against, including GRI G4 guidelines and indicators. To assist our stakeholders, we have provided a summary table below that lists select environmental KPIs against associated GRI G4 indicators.

Key Performance Indicators for Environmental Sustainability	GRI	2013	2014
<b>Production volume</b>			
Total production volume (million tonnes)	n/a	52.1	53.7
<b>Materials</b>			
Materials used by weight (million tonnes)	G4-EN1	30.8 <sup>3</sup>	31.4
Raw materials used (million tonnes)	G4-EN1	25.1 <sup>3</sup>	25.8
Materials for packaging purposes (million tonnes)	G4-EN1	5.7 <sup>3</sup>	5.6
Packaging source optimisation (kilotonnes saved)	n/a	66.6	45.8
Renewable packaging materials (% of materials for packaging purposes)	G4-EN1	38.9	39.6
Total % of recycled materials in our packaging	G4-EN2	27.1	26.8
<b>Energy</b>			
Total on-site energy consumption (petajoules)	n/a	97.7	95.8
Total on-site energy consumption (gigajoules per tonne of product)	n/a	1.87	1.78
Total on-site energy consumption from renewable sources (% of total energy consumption)	G4-EN3	13.6 <sup>3</sup>	14.7
Total direct energy consumption (petajoules)	G4-EN3	67.1	65.5
Total direct energy consumption from renewable sources (% of total direct energy consumption) <sup>4</sup>	G4-EN3	10.8	11.3
Total indirect energy consumption (petajoules)	G4-EN4	81.5	81.1
<b>Biodiversity</b>			
Total size of manufacturing sites located in protected areas (hectares)	G4-EN11	32.9	18.8
<b>Emissions, effluents and waste</b>			
Direct GHG emissions (million tonnes CO <sub>2</sub> eq)	G4-EN15	4.0	3.8
Direct GHG emissions (kg CO <sub>2</sub> eq per tonne of product)	G4-EN15	76	71
Indirect GHG emissions (million tonnes CO <sub>2</sub> eq)	G4-EN16	3.8	3.8
Indirect GHG emissions (kg CO <sub>2</sub> eq per tonne of product)	G4-EN16	73	71
Total water discharge (million m <sup>3</sup> )	G4-EN22	91	87
Total water discharge (m <sup>3</sup> per tonne of product)	G4-EN22	1.74	1.63
Average quality of water discharged (mg COD/l)	G4-EN22	76.2	71.7
By-products (kg per tonne of product)	G4-EN23	29.1	28.9
Waste for disposal (kg per tonne of product)	G4-EN23	4.9	4.0
<b>Environmental sustainability governance</b>			
Sites certified against ISO 14001:2004	n/a	601	621 <sup>5</sup>

For full data, including 10-year trends, see our [Consolidated environmental performance indicators](#).

 **Read more about our [external assessments](#)**

3 2013 data restated due to some of our large joint ventures reporting environmental data for the first time in 2013 but not having material consumption data available at the time.

4 Percentage based on renewable component of direct energy use only (e.g. spent coffee grounds burnt from factory operations).

5 Includes factories, R&D locations, distribution centres and head offices. 2013 figure does not include head offices.



## Sharing our progress

Nestlé's strong policies, continuous improvement and transparent reporting in the area of environmental sustainability are being reflected in external recognition.

In the 2014 [Dow Jones Sustainability Index](#) Series, we achieved first place in the 'environment' dimension in our industry category with a score of 99, two points higher than 2013 and more than double the industry average. The environmental section of the Index is based on an analysis of companies' performance in areas including environmental management, climate strategy, water risk, packaging, raw material sourcing and eco-efficiency.

Our climate change policies and commitments also helped us retain first position in Oxfam's [Behind the Brands scorecard](#). The ranking rates 10 food and beverage companies against a set of criteria, including their policies towards women in their supply chain, farmers and land rights, and during 2014, we received the highest rating in Climate.

In October 2014, we received a Climate Disclosure Leadership Index Award from environmental sustainability ratings agency CDP, having achieved a score of 96 out of 100. The CDP indices measure how more than 4 700 companies incorporate climate change into their business plans, monitor emissions, report transparently and act to mitigate impacts.

Nestlé was joint top among 152 companies in the consumer staples sector for its efforts to tackle deforestation, and was commended in the CDP's report, *Deforestation-free supply chains: From commitments to action*, for its comprehensive risk assessments and capacity-building in the supply chain. Read more about our [water performance](#).

 **Read more about our** [external assessments](#)

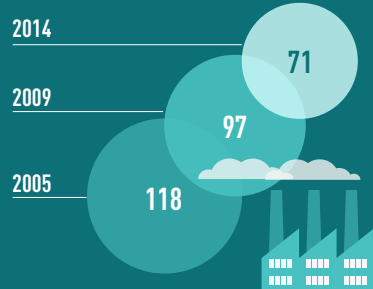


This recognition for our efforts to preserve and protect water and the world's forest resources – both precious and limited commodities – underscores our continued actions and our desire to share good practices more broadly."

**Pascal Gréverath, Head of Environmental Sustainability, Nestlé**

## But using resources more efficiently

### Direct greenhouse gas emissions per tonne of product (kg CO<sub>2</sub>)



### Total production volume (million tonnes)



## Overall we are delivering in key areas

### RENEWABLE ENERGY

Spent coffee grounds being used to power our factories account for:

**24%**  
of our renewable energy use



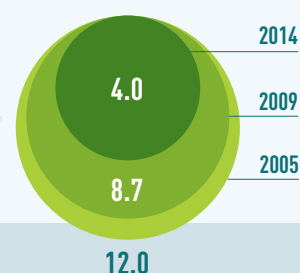
### WASTE

72 factories worldwide have achieved

**Zero waste for disposal**



Waste for disposal (kg per tonne of product)



Materials G4-DMA, Energy G4-DMA, Biodiversity G4-DMA, Emissions G4-DMA, Effluents and waste G4-DMA, Products and services G4-DMA, G4-EN27, Overall G4-DMA, G4-EN31

# Managing environmental sustainability

To improve the environmental performance of our products, we need to assess and improve their environmental impacts from the moment we begin to develop them. This means getting a clear understanding of the environmental life-cycle impacts of our products – from agricultural production and the sourcing of ingredients through to what happens at the end of a product's life – across the value chain.

## The environmental life cycle of products

### Our commitment



**Assess and optimise the environmental impact of our products**

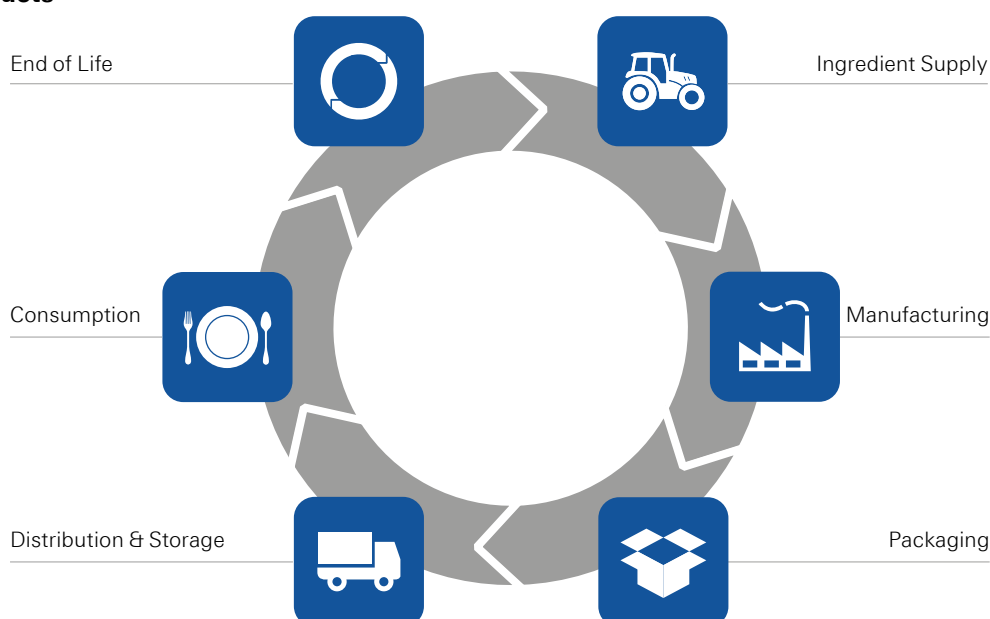
Focusing on preserving water, using natural resources efficiently, conserving biodiversity, reducing air emissions, adapting to climate change and reducing waste, we use the scientific method known as life-cycle assessment (LCA) to help us understand the performance of our products along their value chain. This informs our decision making; helps us take actions to continuously improve our environmental performance; enables us to respond to stakeholders' growing interest in the environmental

performance of food and beverage products; and provides credible evidence to support specific environmental communications and claims.

We've completed LCAs for all our product categories. Recent examples include:

- The eco-mode for our *Nescafé Dolce Gusto Melody* coffee machine enables auto-standby mode after 20 minutes. For a 120 ml cup, this helps consumers cut CO<sub>2</sub>eq emissions by 32%, fossil fuels by 41% and water use by 25%, compared to the first model launched in 2006;
- The new Nestlé Infant Nutrition Ready-to-Feed plastic bottle produced in Germany has a better environment performance than the glass equivalent. Greenhouse gas emissions have been reduced by 19%, water withdrawal fell by 15% and ecosystems quality improved by 28%. The environmental savings on a 32-bottle pack in Germany are estimated to be 13 km of road travel avoided, 74 m<sup>2</sup> of green space preserved and 37 litres of water saved; and
- The new *Nescafé* refill pack in Italy has a better environment performance than the previous 150 g glass jar because it reduces greenhouse gas emissions by 79%, water withdrawal by 72% and resource consumption by 77% (taking into account packaging production and delivery, packaging, product distribution and end of life). More information about the pack and the Nescafé Plan for more responsible farming, production and consumption is available through the on-pack Quick Response (QR) code (see [Going beyond the label](#)).

## Life-cycle of products



## Life cycle of a vegetarian burger

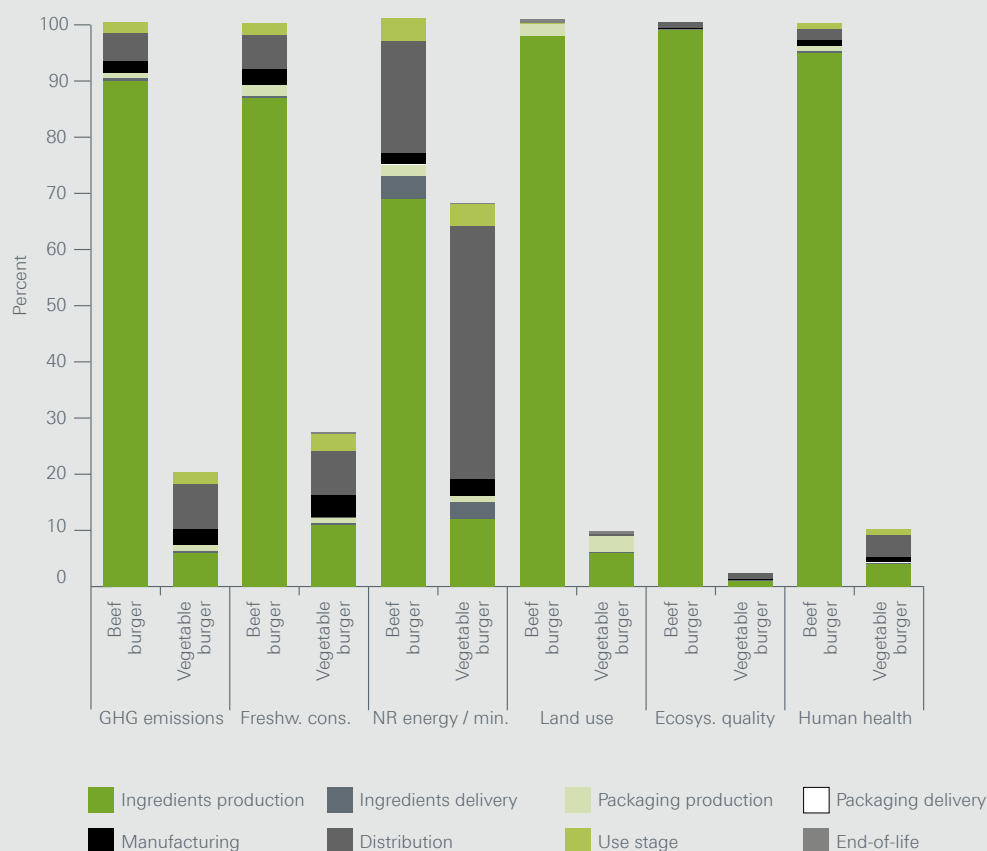
*Tivall* is a Nestlé brand that offers healthy and nutritious meat substitute products. *Tivall* products have been specifically developed to be nutritionally balanced and to be a complete source of protein fortified with nutrients that may otherwise be lacking in a meat-free diet. The *Tivall* range is mainly based on soya and wheat proteins.

We have used environmental life-cycle assessments (LCA) to compare the environmental performance of a *Tivall* vegetarian burger (Hälsans Kök) with a conventional meat burger. The study was performed by a third party (Quantis International) and critically reviewed by two independent experts.

The assessment includes all phases of the life cycle of a beef and a vegetarian burger. These include: growing the feed, intestinal fermentation and slaughterhouse (for the beef burger), growing the ingredients (for the vegetarian burger), converting the ingredients into a burger, packaging and filling, distribution (in refrigerated or frozen conditions), consumer preparation and end of life of the packaging.

The results show that the vegetarian *Tivall* burgers have a considerably improved environmental performance as compared to conventional meat burgers (see chart below): all indicators improve considerably when switching from a meat-based burger to the *Tivall* alternative. The greenhouse gas emissions, for instance, are approximately 80% lower. The results show that the vast majority of environmental impacts of the beef burger are determined by the beef production. For the vegetarian burger, the distribution also plays a relatively important role (in addition to the ingredients), because those products are distributed while frozen.

The study illustrates that healthy and tasty vegetarian dishes can play an important role in improving the environmental performance of nutrition. Given the evidence for the above and other similar studies, Nestlé has launched several R&D projects to further investigate new sources of protein with improved environmental performance.



**Number of product environmental assessments conducted**

<b>2014</b>	<b>5 742</b>
2013	5 200
2012	2 350

**Using LCA**

All our new products undergo an environmental sustainability assessment, but identifying opportunities for ecodesign using complex environmental information is challenging and time-consuming. Therefore, we have been pioneering new ways to help our R&D staff to do so.

**Our objective**

**By 2014** – Extend the EcodEX ecodesign tool to all research and development locations<sup>6</sup>.

**EcodEX**

In 2013, we finalised the development and began the roll-out of EcodEX (Ecodesign for Sustainable Product Development and Introduction), an LCA-based ecodesign tool we co-created to enable product development teams to assess the environmental performance of a product faster and earlier in the design process. This was done in partnership with Selerant, an IT company based in Italy that specialises in product life cycle management and compliance solutions.

Using five environmental impact indicators, EcodEX allows different scenarios to be compared using publicly available data specific to the food and beverage industry. Taking a value chain viewpoint, it can be used to assess the overall environmental impacts of a packed food product, from the contribution of agriculture, processing, packaging and distribution right through to end of life.

Having introduced EcodEX to all 11 of our global Product Technology Centres and some R&D centres in 2013, we have now rolled out training on the packaging element across our entire research and development network, and piloted it in selected markets. We are using it to progressively replace our previous tool PIQET, which is *focused only on* the environmental performance of our [packaging](#).

EcodEX is being gradually introduced to ensure it is adopted effectively and to address the challenges raised by new users, such as getting used to interpreting the results. We are now focusing on enlarging the scope of the input data on agricultural raw materials, as they constitute the main environmental impact of many products.

By the end of 2014, 5 742 projects<sup>7</sup> representing more than 16 500 scenarios<sup>8</sup> had been assessed using our PIQET and EcodEX ecodesign tools (2013: 5 200 projects and 15 500 scenarios). In 2014, the roll-out of the EcodEX ecodesign tool was carried out in 31 R&D locations, which is 100% of in-scope R&D locations<sup>9</sup> (2013: 11 Product Technology Centres, 70% of in-scope R&D locations).

We also ensured that EcodEX is commercially available to other consumer goods companies because we believe it adds significant value to our whole industry.

**Mandatory rating system**

We have been using a mandatory environmental rating system for all new product and process developments since 2012. This uses a five-point scale to evaluate potential impacts, both negative and positive. It is designed to inform decisions at the earliest possible stage, well before a project goes into development.

**Our objective**

**By 2017** – Further enlarge the scope of our databases on agricultural raw materials used in EcodEX.

**Promoting access to data**

To make informed decisions, our teams require accurate data, and we continue to work with external collaborators to develop databases that benefit not only Nestlé but the LCA community at large.

We are continuing to develop and improve EcodEX through a collaboration with CIRAI, the Montreal-based Interuniversity Research Centre for the Life Cycle of Products, Processes and Services. During 2014, these improvements included a new methodology to take statistical uncertainty into account in simplified ecodesign tools. The research was presented at the World LCA Food Conference in San Francisco in October 2014 and we plan to incorporate it into EcodEX in 2015.

We are also co-sponsoring the development of a World Food Life Cycle Assessment Database (WFLCA DB), coordinated by LCA consultancy Quantis and the Swiss Agricultural Research Institute Agroscope. In 2014, the second release of data (around 140 new datasets) was made available to project partners and during 2015, around 300 datasets will be added to EcodEX. This data will undergo a critical review before being incorporated into the publicly available LCA database Ecoinvent. Nestlé is also funding further data development, in collaboration with Quantis, to focus on ingredients not yet considered in major databases. This new data will also be submitted to Ecoinvent.

To stay at the forefront of LCA and ecodesign, we continue to promote Sustainability by Design and provide our product development teams with opportunities for continuous learning and knowledge sharing. In addition to staff at our 34 R&D centres disseminating science, technology and engineering expertise throughout our R&D network and across our operations, we created a global Sustainability by Design Network, made up of experts responsible for building sustainability into the earliest phase of product development in our R&D centres. In 2014, we built on the momentum of this network by strengthening cross-fertilisation across business categories and by training our sustainability champions in the effective use of EcodEX.

6 'Locations' comprise R&D centres and Product Technology Centres.

7 A project is a detailed description of all the different packaging system formats (or 'scenarios') used for packaging a product.

8 Each scenario is one individual packaging system format (e.g. aluminium can and corrugated board, glass bottle and shrink film, etc.) used for packaging a product.

9 This represents 96% of the whole R&D organisation.

### Piloting the EU method for environmental assessment of food products

In 2014, the European Commission launched a three-year pilot to develop a common environmental footprint methodology for 25 product categories and two business sectors. All three Nestlé applications to co-lead the development of Product Environmental Footprint Category Rules (PEFCR) were selected by the European Commission: Nestlé Waters for packaged water; *Nespresso* and *Nescafé* for coffee; and Nestlé Purina for pet food.

This project will set up and validate the process of the development of PEFCRs, including the development of performance benchmarks to test different compliance and verification systems, and communication vehicles.

As far as food products are concerned, this methodology is consistent with the [ENVIFOOD Protocol](#) developed by the [European Food Sustainable Consumption and Production Round Table](#).

## Identifying and addressing environmental hotspots

### Our objective

**By 2017** – Identify or update and address the sustainability hotspots for 15 product categories.

Having carried out LCAs for all our main product categories, we share the data internally through the Nestlé Sustainability Category Profiles. These profiles summarise a category's environmental 'hotspots' (areas of significant impact) and outline how we are addressing them to improve environmental performance – see the case study below.

In 2013, we met our objective to identify and address sustainability hotspots in 12 product categories a year early and in 2014, we extended that to assessing hotspots in 13 product categories.

### Environmental hotspots in ambient culinary products

#### Agriculture

Agriculture generates almost half (49%) of the most significant impacts in the ambient culinary product category<sup>10</sup>. The production of ingredients particularly results in GHG emissions and a significant consumption of water for irrigating crops like tomatoes. Some of the actions we've taken to tackle these hotspots include:

- Working with farmers in France and Spain to reduce emissions, preserve water and soil fertility;
- Providing technical assistance to chilli growers in Malaysia and India; and
- Helping beetroot farmers in Poland recycle by-products to reduce waste.

#### Product use

The next biggest impact area is linked to the consumption of our products (20%). Over a quarter (29%) of the GHG emissions associated with these products comes from energy and water used in the home for cooking and washing dishes. To help address these, we communicate with consumers about optimum product use via on-pack messaging and brand websites. We're also developing innovations such as our *Maggi So Juicy* chicken recipe mixes, which contain a special cooking bag that reduces the amount of water needed for cleaning after cooking.

#### Other stages in the life cycle

In comparison with agriculture and product use, other stages in the product life cycle (manufacturing, packaging, distribution and end of life) have a smaller share of the overall impact. Nonetheless, we continually seek improvements in these areas, by recovering and reusing waste, water and energy in our factories; optimising the weight of our packaging; redesigning how Maggi bouillon cubes are put on pallets to make distribution more efficient; and encouraging consumers to recycle the cardboard packaging our products come in.

<sup>10</sup> Products that can be stored at room temperature.



# Raw materials


Nestlé sources millions of tonnes of agricultural raw materials directly from hundreds of thousands of farmers through Farmer Connect. We set those suppliers challenging environmental standards but support them with advice, training and other services that help them increase yields, quality and the disease and drought resistance of their crops, and improve their environmental sustainability practices. This helps ensure we continue to secure a reliable source of high-quality ingredients for our products.

See also [Rural development](#).

## Sourcing raw materials



### Our commitment

 **Preserve natural capital, including forests**

### Our objective

**By 2015** – 30% of the volume of our 12 priority categories of raw materials has been assessed against our Responsible Sourcing Guideline requirements and is compliant, or improvement plans to preserve natural capital are ongoing.

We source millions of tonnes of raw materials directly from farmers, and source semi-processed raw materials from our Tier 1 suppliers. Where possible, we prefer to source materials from the areas around our factories.

See [Rural development](#) for more details.

### Raw materials used (million tonnes)

<b>2014</b>	<b>25.8</b>
2013	25.1 <sup>11</sup>
2012	22.5

### Key categories of raw materials used – 2014 (tonnes)

Fresh milk	<b>14.2 million</b>
Palm oil	<b>445 000</b>
Cocoa	<b>430 000</b>
Coffee	<b>842 000</b>

We pursue our [Responsible Sourcing](#) commitments through close collaboration with suppliers, helping them evaluate environmental performance (among other aspects, such as labour standards) on their farms and plantations. We promote more environmentally sustainable agriculture and responsible sourcing of raw materials in our supply chain through a number of initiatives, as outlined below, which fall under our Responsible Sourcing activities.

In 2014, 38% of purchased volumes of our priority categories were traceable (2013: 17%), and 28% of the volume of our priority categories was Responsibly Sourced, in accordance with our Responsible Sourcing Guideline requirements (2013: 9%). This means we are well on the way to achieving our objective of 30% by 2015.

See the [Rural development](#) chapter for further details and examples of responsible sourcing in action.

### RISE: Promoting environmentally sustainable agriculture

To assess and improve the environmental, social and economic performance of our supply chain, we apply RISE (Response-Inducing Sustainability Evaluation), a tool that helps smallholder farmers evaluate environmental impacts at the farm level.

RISE uses 10 performance ratings ranging from 'problematic' to 'good performance' to identify areas where improvements are needed. It evaluates crop production, soil use, nutrient flows, water and energy, and any potential effects on [climate change](#) and [biodiversity](#).

Thousands of Nestlé agronomists work out in the field with the farmers, who benefit from the good practice and guidance from various RISE studies. These originally focused on milk production (see [Rural development](#) for an example) but as we broaden its use, RISE will also be extended to include more coffee and cocoa farmers.

<sup>11</sup> 2013 data restated due to some of our large joint ventures reporting environmental data for the first time in 2013 but not having material consumption data available at the time.

## Promoting cooperation in agriculture

We are an active member of numerous associations, organisations and industry-wide initiatives that promote environmentally sustainable agricultural practices. These include:

- **The Sustainable Agriculture Initiative (SAI) Platform** – we continue to support various working groups – including water, coffee, dairy, meat, and fruit and vegetables – within this [industry organisation](#) supporting the development of sustainable agriculture;
- **The 4C Association** – we co-chair this multi-stakeholder organisation that promotes the Common Code for the Coffee Community and addresses sustainability issues in the coffee sector;
- **The IDH Sustainable Coffee Program** – this public–private partnership is concerned with expanding sustainable coffee production into mainstream markets. Its immediate goal is to increase sustainable green coffee sales to 25% in 2015;
- **The UN Global Compact (UNGC) Food and Agriculture Business Principles** – we are a founding participant of the [UNGC's](#) Principles, and José Lopez, Nestlé's Executive Vice President and Head of Operations, was involved in their launch in September 2014 ([see Nestlé in society](#)); and
- **The Consumer Goods Forum** – its goal, to mobilise resources within its respective business members to help achieve zero net deforestation by 2020, through individual company initiatives and by working collectively in partnership with governments and NGOs, reflects our own [commitment on no deforestation](#).

We continually look to strengthen these partnerships, as well as explore new opportunities and extend our own [Responsible Sourcing activities](#) and initiatives such as the [Nescafé Plan](#), the [Nestlé Cocoa Plan](#) and our [milk districts](#).

# Manufacturing

Manufacturing transforms perishable raw materials into safe, nutritious, value-added food products. We use the Nestlé Environmental Management System to implement The Nestlé Policy on Environmental Sustainability. The effectiveness of this continual improvement cycle rests on applying the practices driven by our Nestlé Continuous Excellence initiative to improve our efficiency, quality and environmental performance. This translates into doing more with fewer resources and less waste to help preserve natural resources.

See also [Climate change](#), [Waste and recovery](#), [Water](#).

## Driving operational excellence



### Our commitment



Improve resource efficiency in our operations

Operational excellence is fundamental to improving our environmental sustainability. Through the 3Cs of the Nestlé Continuous Excellence initiative, outlined below, we continue to improve our efficiency, quality and productivity. Its main goal is to engage employees in:

- Excelling in compliance, both legal and internal;
- Delighting our consumers, through sharing our sustainability aims and achievements in brand communications; and
- Driving competitive advantage, by progressing towards zero waste, and improving water and energy efficiency.

Going for Zero is our manufacturing operations' contribution to Nestlé's Continuous Excellence initiative. It describes our Manufacturing Excellence ambition to 'go for zero' in each of five dimensions: safety, quality, cost, delivery and environment.

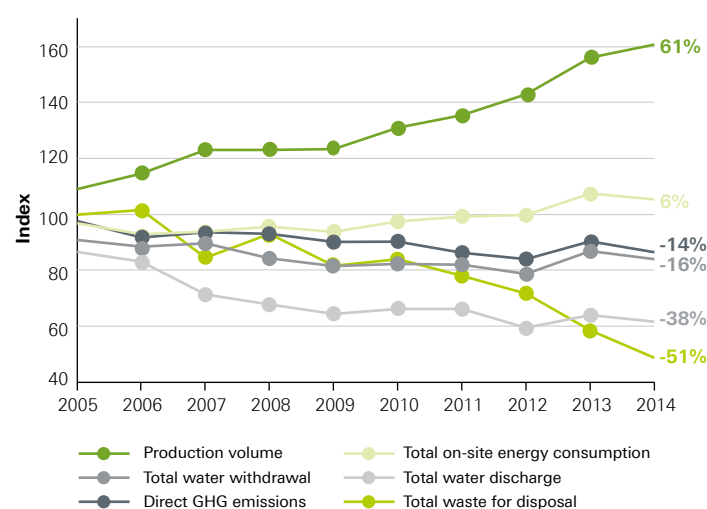
Our [life-cycle assessments](#) inform us of the proportion of energy that is used during the manufacturing of our products. It is at this stage of the value chain that we can do the most to directly manage and improve our energy performance, and we take every opportunity to do so.

As stated in The [Nestlé Policy on Environmental Sustainability](#), we aim to use the most efficient technology and apply best practices to further optimise energy and water consumption; minimise waste generation; use sustainably managed renewable energy sources; recover value from by-products; and control and eliminate emissions, including GHGs.

Since 2004, we've continued to decouple environmental impacts from growth – improving our environmental impacts while increasing our volume of production. While we have more than doubled our manufacturing production over the last 10 years, we've steadily decreased our [water use](#), [GHG emissions](#) and [waste generation](#)<sup>12</sup>.



## Resource consumption and waste generation versus production volume, 2005–2014



See [Water](#) for more information on objectives, progress and performance.

<sup>12</sup> Operational figures include joint ventures; financial figures do not.

## Reducing our energy consumption

### Our objective

**By 2015** – We will reduce energy consumption per tonne of product in every product category to achieve an overall reduction of 25% since 2005.

Our goal is to become the most efficient energy user among food manufacturers. However, reducing our energy consumption has been more of a challenge. This is largely due to the evolution of our product portfolio over time towards more value-added products, which in turn allow our consumers to save energy.

Since 2004, the total on-site energy consumption has increased by 5.5% while the total production volume increased by 61.2% over the same period, resulting in a decrease of 34.5% in the total energy consumption rate per tonne of product. This is the result of efforts by Nestlé engineers and environmental sustainability managers working together to reduce and recover energy. The energy consumption rate has been also slightly influenced by acquisitions and divestitures.

### Total on-site energy consumption (petajoules)


<b>2014</b>	<b>95.8</b>
2013	97.7
2012	90.7

### Total direct energy consumption (petajoules)

<b>2014</b>	<b>65.5</b>
2013	67.1
2012	63.7

### Total indirect energy consumption (petajoules)

<b>2014</b>	<b>81.1</b>
2013	81.5
2012	73.5

 **For full data, including 10-year trends, see our [Consolidated environmental performance indicators](#) and our Commentary on 2014 Consolidated Nestlé Environmental Performance Indicators**

With regard to our objective to achieve an overall reduction of 25% per tonne of product by 2015, compared with a 2005 baseline, we've made steady progress. We've reduced energy consumption in every product category (see table below) and, globally, we've reduced overall energy consumption, per tonne of product, by 26.2% since 2005 (2013: 23%).

This is mainly a result of the measures described above and the Nestlé Continuous Excellence programme. Changes in our product mix, and acquisitions and divestments have also contributed.

### Energy consumption per product category (GJ/tonne)

	<b>2005</b>	<b>2014</b>	<b>Variation</b>
Powdered and liquid beverages	17.08	9.1	-47%
Water	0.39	0.2	-42%
Milk products and ice cream	4.93	3.3	-34%
Nutrition and healthcare	10.70	7.2	-32%
Prepared dishes and cooking aids	3.93	3.5	-12%
Confectionery	5.89	4.4	-25%
Petcare	1.81	1.8	-0.1%
<b>Total Group</b>	<b>2.42</b>	<b>1.8</b>	<b>-26%</b>

### Environmental Target Setting programme

Our Environmental Target Setting programme aims to improve the environmental performance of our factories based on a thorough assessment of baseline energy and water consumption.


In line with our commitment to improve resource efficiency, our coffee and dairy businesses are the largest users of energy and water, so our projects prioritise the introduction of new, energy-efficient technologies in these areas.

The savings delivered by projects implemented in 2014 amounted to 1.8 million GJ of energy, 1.2 million m<sup>3</sup> of water and 149 000 tonnes of CO<sub>2</sub>eq. Examples include:

- The recovery of flue gas heat for use in the hot water supply at our confectionery factory in Hamburg, Germany, resulting in a saving of 9.18 GJ a year, equivalent to 574 tonnes of CO<sub>2</sub>;
- The installation of energy-recovery systems and energy-reduction improvements at our freeze-dried coffee plant in Orbe, Switzerland, cutting energy use by 8% by 2014;
- A 55% reduction in production line energy use during changeovers between products, equivalent to 19% of the total site's consumption, at the cereal bar factory at Lubicz, Poland; and
- Replacing ageing air heaters at our Dalston plant in the UK with a modern heating system, delivering a 30% reduction in gas consumption and a 2% (6 600 GJ) reduction in the plant's overall energy use.


Looking ahead, we also identified 550 new projects (2013: 610) that, for an investment of about CHF 40 million, are expected to deliver annual savings of about 1.4 million GJ of energy; 113 000 tonnes of CO<sub>2</sub>eq emissions; and 2.0 million m<sup>3</sup> of water.

To help our factory teams improve their own environmental performance and meet our commitments, we have developed Do It Yourself, a web-based tool. This enables each factory to easily identify energy- and water-saving opportunities from a range of solutions that have been tried and tested in other parts of the Group.

 **See [Water](#)** for more information.

### Reducing our emissions

Emissions to air such as sulphur oxides (SO<sub>x</sub>) and nitrogen oxides (NO<sub>x</sub>) are created during the combustion of fossil fuels. As well as improving the energy efficiency of our factories, we're switching to alternative, cleaner energy sources – for example by replacing fuels such as coal and heavy fuel oil with cleaner natural gas, renewable energy sources or even by-products such as spent coffee grounds. See [Providing climate change leadership](#) for more information.

 **For full data, including 10-year trends, see our [Consolidated environmental performance indicators](#)** and our Commentary on 2014 Consolidated Nestlé Environmental Performance Indicators

### Investing in our factories

We incorporate environmental sustainability objectives when we build, construct and renovate facilities. The investments in our direct operations in 2014 included:

- Nestlé South Africa's five-year, ZAR 2 billion (CHF 170 million) investment plan, focused on capacity building, refurbishment, installing biomass boilers and converting its Mosel Bay dairy factory to have zero water withdrawals;
- Our most water-efficient factory in the world – the Cero Agua dairy factory in the central Mexican state of Jalisco – uses mostly recycled water from its dairy operations and has become a zero-water withdrawal factory;
- A CHF 220 million investment in our coffee capsule factory in Schwerin, Germany, which increased the production capacity of capsules for *Nescafé Dolce Gusto*'s hot and cold coffee- and tea-based drinks; and
- Nestlé Vietnam's doubling of production capacity at its *Milo* chocolate malt beverage factory in Binh An following a CHF 35 million investment.

### Environmental sustainability awards for Indonesian factories

Nestlé's Kejayan dairy factory in East Java was awarded the 2014 Indonesia Green Companies Award for its practices towards sustainability. Adopting innovations such as the re-use of by-product water to reduce water consumption, the factory has reduced water usage by 22%, energy consumption by 39%, and both CO<sub>2</sub> emissions and solid waste production by 20% over the last five years.

The Kejayan factory was also one of the winners of a PROPER Award – the third time since 2010 that the site has met the judges' criteria for environmental management systems, resource and energy efficiency, waste management, water conservation and community empowerment.

In addition, three Nestlé Indonesia factories were among the recipients of a prestigious 2014 Green Industry Award for their sustainability practices. As well as Kejayan, our confectionery factory in Cikupa and coffee factory in Panjang received recognition for using natural resources more efficiently and promoting environmental sustainability.

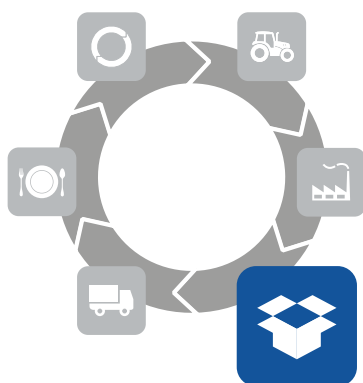


# Packaging

**Product packaging is crucial to prevent food waste, guarantee quality and inform consumers. We take a holistic approach to assessing the environmental impacts across its entire life cycle when designing our packaging. During the innovation and renovation design process, we aim for performance and functionality while striving to optimise weight and volume to avoid adverse environmental impacts related to over- or underpacking. We lead the development and use of materials from sustainably managed renewable resources, taking packaging and product performance requirements into consideration, and support initiatives to recycle or recover energy from used packaging. We use recycled materials where there is an environmental benefit and it is appropriate.**

See also [Environmental life cycle of products](#), [Waste and recovery](#), [Sustainable consumption](#)

## Packaging ecodesign



### Our commitment



**Improve the environmental performance of our packaging**

### Our objective

**By 2017** – Continue to systematically analyse and optimise our packaging portfolio, avoiding the use of at least 100 000 tonnes of packaging material.

Packaging design decisions can make an important contribution to environmental performance across the product life cycle, but the science is complex. We therefore use our ecodesign tools, PIQET and EcodEX, to systematically assess environmental performance and inform our packaging decisions.

Since 2008, PIQET has been used by Nestlé specialists around the world to assess the environmental performance of our packaging. However, to expand the scope of our ecodesign, we have replaced PIQET with EcodEX (Ecodesign for Sustainable Product Development and Introduction) during 2014; this enables us to assess the overall environmental performance of packed food products throughout their entire life cycle, from ingredient sourcing through consumer use to the end-of-life treatment of its packaging. We successfully completed the transfer from PIQET to EcodEX worldwide through eight webinars; the 63 participants conducted further training of packaging specialists in their respective locations and markets. To date, we have evaluated 5 742 projects<sup>13</sup> and 16 507 scenarios<sup>14</sup> (2013: 5 200 projects and 15 500 scenarios) using our ecodesign tools, covering packaging and product development projects.

To adapt our ecodesign tools to suit the local waste sorting and recycling infrastructure, Nestlé Germany has further developed its market-specific design guideline for recycling. All packaging engineers in the market can now use NEATpack, the Nestlé Environmental Assessment Toolkit for packaging development, to help them select the solution with the best environmental performance. NEATpack has been used to renovate the THOMY plastic bottle, which has been significantly improved in terms of sortability and recyclability by adopting a one-material approach. As a consequence, the overall environmental impact has been significantly reduced, as proven by PIQET.

Nestlé was a key contributor to the Global Protocol for Packaging Sustainability published in 2011 by the [Consumer Goods Forum](#). Nestlé played a key role in developing the implementation guidelines published in June 2014, allowing national members of GS1 (a not-for-profit organisation that develops and maintains standards for supply and demand chains) to exchange sustainability-related metrics for packaging through the GS1 Global Data Synchronisation Network (GDSN).

Read more about our [ecodesign tools](#).

<sup>13</sup> A project is a detailed description of all the different packaging system formats (or scenarios) that a product can be packaged in.

<sup>14</sup> Each packaging system format that a product can be packaged in (e.g. aluminium can and corrugated board, glass bottle and shrink film, etc.) is termed a scenario.

## Our approach

As stated in [The Nestlé Policy on Environmental Sustainability](#), our approach to packaging involves:

- Optimising the weight and volume of our packaging (see below);
- Leading the development and use of [materials from sustainably managed renewable resources](#) that meet packaging, product and environmental performance requirements;
- Supporting initiatives to recycle or recover energy from used packaging; and
- [Using recycled materials](#) where there is an environmental benefit and where it is appropriate.

### Optimising weight and volume

Towards our commitment to improve the environmental performance of our packaging, we avoided the use of 45 805 tonnes (2013: 66 594 tonnes) of packaging material by weight in 2014. This is equivalent to a cost saving of CHF 77.4 million (2013: CHF 158.5 million). We have committed to avoid the use of at least 100 000 tonnes of packaging material over the next three years to 2017.

Overall, the cumulative amount of packaging we have avoided since 1991 is more than 710 000 tonnes and CHF 1 261 million in packaging costs.

The environmental benefits are also significant. Over the last five years, we have avoided over 481 000 tonnes of CO<sub>2</sub>eq – equivalent to taking more than 104 000 cars off the road for a year.

#### Packaging source optimisation (kilotonnes saved)

<b>2014</b>	<b>45 805</b>
2013	66 594

To further improve the environmental performance of many food packaging applications, we are encouraging the use of 10 micron PET polyester film in Asia and Europe rather than the standard 12 micron thickness. In the Philippines, we continued the implementation of 10 micron PET, which will lead to a cumulative material saving of 328 tonnes in 2015. Meanwhile, in Europe, we have engaged with suppliers to demonstrate the demand for the thinner film, and helped manufacturers make the conversion without process or productivity losses. Our lead market is Russia, where we have already moved the majority of the PET-based specifications from 12 to 10 microns.

Thanks to using high-performing PE resin grades, we have been able to reduce the thickness of cereal liners for the French and UK markets by 15%, representing more than 90 tonnes of material saving in 2014.

Nestlé Waters has again made significant efforts towards lightweighting by optimising packaging weights. Since 2012, the company has rolled out its best-in-class bottle for its *Pure Life* brand in 32 formats across 12 markets, saving 7 200 tonnes of PET. In 2014, our 60 cl and 150 cl bottles were renovated in Nigeria, avoiding the use of 172 tonnes of PET (bottles) and 43 tonnes of PE (caps) over the 12 months to June 2015; new 150 cl bottles in Brazil avoided the use of more than 97 tonnes of PET in the last quarter of 2014, and are expected to continue to save materials during 2015 and beyond.

In Nestlé Russia, we avoided using more than 630 tonnes of cardboard by optimising the transport packaging for chocolate bars. And in Japan, we avoided the use of 372 tonnes of tinplate during 2014 by adding ribs ('beads') to the middle of cans of *Nescafé Gold Blend Black*, strengthening them and allowing thinner metal to be used. The can now weighs 7.2 g less, down from 36.7 g to 29.5 g, yet the contents have been increased from 170 g to 185 g.

#### Materials for packaging purposes (million tonnes)

<b>2014</b>	<b>5.6</b>
2013	5.7 <sup>15</sup>
2012	4.77

#### Packaging source optimisation (kilotonnes saved)

<b>2014</b>	<b>45.8</b>
2013	6.66
2012	47.1

### Bottles fit for purpose

We have renovated the packaging for our *Maggi* dipping sauce bottles in Thailand, by reducing the amount of plastic used in the bottles and caps, optimising shipping cases and replacing the paper label with PET shrink film. This has generated an annual net saving of 64 tonnes of plastic and 43 tonnes of paper and board.

At Nestlé Malaysia, we have developed new moulding equipment to reduce the wall thickness of our glass bottles for cold sauces. This has reduced the amount of glass used in our 300 g bottles by 7% and in our 470 g bottles by 14%, avoiding the use of more than 1 200 tonnes in 2014.



<sup>15</sup> 2013 data restated due to some of our large joint ventures reporting environmental data for the first time in 2013 but not having material consumption data available at the time.

### Developing and using materials made from sustainably managed renewable resources

In line with The Nestlé Policy on Environmental Sustainability, we are leading the development and use of materials from sustainably managed renewable resources that meet packaging, product and environmental performance requirements.

Our leadership in this area is related neither to the quantity of materials used nor to the number of applications currently on the market. Rather, it is related to developing the appropriate understanding that enables us to use renewably sourced materials where they provide a genuine advantage from an environmental sustainability perspective.

Today, materials from renewable resources are sold at a premium and often have limited availability, with fierce competition for supplies. Yet many items still do not have the appropriate performance criteria for our packaging portfolio.

For example, around 4 000 tonnes of seasonal hollow chocolate figures are supplied from our Diósgyőr factory in Hungary to consumers in 25 countries. The packaging for distribution, in-store display and the product wrapping itself contains around 250 tonnes of plastic. Nestlé Hungary has been working on ways to reduce the environmental impacts of this packaging by replacing plastic with cardboard. So far, we have replaced 34 tonnes of plastic and the improved environmental performance has been proven via PIQET. In addition, we are exploring ways to substitute the PET used on the top cover with polylactic acid, a bioplastic made from corn.

In addition, we have 17 active projects within R&D and markets that are related to packaging materials derived from renewable resources. We continuously evaluate new materials coming on the market for their suitability as food and transport packaging.

In 2014, we continued to use materials from sustainably managed renewable resources in some of our packaging, such as the Ninho cap in Brazil, made from sugarcane-derived plastic, and PET bottles for our *Vittel* and *Levissima* brands that use 30% bio-based PET (the maximum renewable content that can be applied on an industrial scale).

### The Positive Cup

As part of its 2020 sustainability strategy, *Nespresso* will build on the steps it has already taken over the last five years. It will expand its capacity to collect used aluminium capsules, wherever the company does business, to 100%. In addition, the used capsules collected in key European markets (Austria, Benelux, France, Italy, Switzerland and UK) will be recycled into new capsules.

*Nespresso* will also source 100% of aluminium in compliance with the new Aluminium Stewardship Initiative standard developed under the leadership of the International Union for Conservation of Nature (IUCN) and approved at the end of 2014.

Consumer participation is essential to make recycling efforts a success. That's why *Nespresso* has heavily invested in making it as easy as possible for its Club Members to return their used Grand Cru capsules. Since the launch of its first recycling system in Switzerland in 1991, *Nespresso* has installed more than 14 000 dedicated capsule collection points across 31 countries, and a home collection service is available in 15 markets.

Denmark is the latest country to have launched solutions to collect and recycle used *Nespresso* capsules. This was made possible by several years of lobbying to convince the government to enact a new law. *Nespresso* has been the first to benefit from it as previously, private companies were not allowed to create their own private recycling schemes.

*Nespresso* France has also reached an agreement with Eco-Emballages (the French 'Green Dot') and the Association of French mayors to include the collection of used *Nespresso* capsules in their collection system. *Nespresso* will offer up to EUR 300 per tonne of aluminium packaging to incentivise sorting centres to invest in tools that can sort small aluminium packaging.



#### Renewable packaging materials

(% of materials for packaging purposes)

<b>2014</b>	<b>36.9</b>
2013	38.9
2012	38.9

#### Total % of recycled materials in our packaging

<b>2014</b>	<b>26.8</b>
2013	27.1
2012	27.1

## Partnerships and collaboration

Nestlé actively collaborates with academic and industry partners to develop a better understanding of the key issues affecting the environmental sustainability performance of renewably sourced materials in general:

- Nestlé is an active member of the WWF Bioplastics Feedstock Alliance, which seeks to help guide the responsible selection of feedstocks for biobased plastics. This encourages a more sustainable flow of materials, and helps create lasting value for present and future generations;
- Nestlé Waters is a founding member of the Biobased Chemistry Outlook Community. Founded in 2012, the group of 14 industrial companies, including Nestlé Waters, collaborate with the French strategic consulting group BIPE to assess the future potential of biobased chemistry; and
- Nestlé supports innovative research performed at Imperial College in London, focusing on the development of catalysts permitting the manufacture of plastics partially based on CO<sub>2</sub>.

## Participating in research

In 2014, Nestlé published two scientific papers: one on the effects of raw material sourcing and manufacturing technology on the environmental performance of sugarcane ethanol production and one on sugarcane ethanol derived polyethylene (PE) and polyethylene terephthalate (PET).

A study presenting a science-based evaluation of end-of-life options for bioplastics was also published. Contrary to popular belief, this indicates that from an environmental perspective, composting and biodegradation are not necessarily preferable to other end-of-life options for biodegradable bioplastics. The study also highlights the importance of a sound, flexible and case-specific application of the [EU waste hierarchy](#).

## Recycling used packaging

Nestlé supports the establishment and operation of comprehensive recovery schemes in all markets. Such recovery schemes are characterised by the wide availability of collection points for used packaging, efficient sorting and a range of recovery options – including recycling, energy recovery, direct fuel substitution, composting and methanisation, as well as new technologies such as plastics-to-oil – to maximise the environmental performance of the packaging life cycle and minimise the quantity of used packaging ending up in landfill or as litter.

We actively partner and collaborate with brand owners, packaging suppliers, public and private waste management schemes, operators and cooperatives, governments and municipalities around the world to establish comprehensive schemes for collecting and recovering post-consumer packaging.

In 2014, we continued to explore how we can contribute to collection and recovery schemes for used packaging in developing countries, as a means of improving the environmental performance of our packaging and introducing a viable long-term solution to littering. For example:

- Together with other members of the Consumer Goods Forum (CGF), we are investigating how to help increase the recycling and recovery of used packaging in emerging and developing countries, beginning with a project to retrieve packaging from municipal solid waste;

- Nestlé UK & Ireland is partnering with other companies and waste partners Enval, SITA UK and LRS Consultancy to explore the options for collecting flexible laminate packaging containing aluminium, so that the plastics can be recovered and converted into fuel, and the aluminium recycled. After looking at how to increase the amounts of flexible laminate packaging collected and recycled in England, the partners will then assess the feasibility of different collection and communication approaches. Trials are due to begin in 2015.
- Nestlé Waters is a founding signatory of the Pledge 4 Plastics initiative launched by Recoup (REcycling Of Used Plastics) in the UK. This collaboration between industry and government is developing communication tools and guidance to help local authorities increase the collection of plastic packaging for recycling, and deliver more consistent messages for consumers;
- Nestlé Brazil is supporting CEMPRE (Business Commitment for Recycling) in its ambition to keep post-consumer packaging out of landfill, as well as reduce environmental impacts, create recycling co-operatives and generate new jobs. Of the 160 co-operatives covered by the CEMPRE programme throughout Brazil, Nestlé now supports 42 units. Our programme has now enrolled more than 800 *catadores* (waste pickers), of which 80% are women. Each waste-sorting operation can process up to 90 tonnes of waste per month. Ongoing support activities for the period 2014/15 is focusing on nine major projects with a global investment of more than CHF 250 000;
- Nestlé Malaysia has continued its collaboration with packaging firm TetraPak (Malaysia) on The [CAREton Project](#), through which used beverage packages and cartons are turned into roof tiles for new homes being built for underprivileged communities by social enterprise EPIC Homes. The 7.2 million drinks packs collected in 2014 will be enough to make tiles for 20 houses. A new 'Recycle Easy' microsite, launched in July 2014, now makes it easy for consumers, business and schools to find their nearest public collection point;
- *Nescafé Dolce Gusto* used coffee capsules are being recycled and turned into new products and materials through a new recycling programme in Australia and New Zealand. Consumers can mail used pods free of charge to recycling partner TerraCycle and shipments over a certain amount will earn money for charity. Residual coffee grounds are composted and the plastic capsules are melted down, pelletised and made into products such as park benches and home accessories;
- Nestlé Chile continued its activities with four other leading companies to reduce waste and boost responsible disposal by supporting a new recycling network. The Collective Recycling Project aims to recycle about 1 200 tonnes of waste a year through five recycling centres in Santiago;
- We are an active sponsor of the Thailand Institute of Packaging and Recycling Management for Sustainable Environment (TIPMSE), established to promote at-source segregation and appropriate management systems for used packaging and recycled material; and
- Nestlé is also a member of EUROOPEN, the European Organization for Packaging and the Environment, and co-chairs the EUROOPEN LCA Taskforce.



### Recycling goes back to school

The *Tunuyán verde* campaign, launched in the Mendoza region of Argentina in October 2014, seeks to reduce the number of plastic (PET) bottles ending up in local canals, rivers and ditches. The Municipality of Tunuyán – supported by Eco de Los Andes and Intermunicipal Consortium Centro (COINCE) – provided primary schools with containers for collecting used plastic bottles; these were then segregated, compacted and sold for recycling. The money raised will be used to buy books, computers, furniture and equipment for the school.

Nestlé Waters' role involved consultancy and community relations to get the project underway, designing the campaign logo and producing campaign materials, donating PET bags to be used inside the collection containers, and organising a launch event to drive awareness and engagement.

The programme will be extended from February 2015 to include secondary schools.

### Recovery infrastructure

In several regions, including Europe, Latin America and Asia, authorities are considering imposing bans on plastic carrier bags as a means to combat the problem of littering. In some countries, such proposals also extend to food packaging and make the use of various forms of degradable plastics mandatory.

Nestlé welcomes government initiatives to combat the problem of plastic litter from discarded food packaging, but is convinced that this problem will not be solved through material bans, nor through the enforced use of degradable materials. We believe that meaningful progress in reducing the incidence and impacts of litter can be achieved by developing comprehensive collection and recovery infrastructure, underpinned by effective public education programmes.

We are committed to helping find solutions, working with the relevant authorities and industry associations to ensure suitable waste management infrastructure and awareness-raising activities are put in place.

In addition, Nestlé is actively working within the European Chamber of Commerce to create a joint industry position on the subject of packaging bans and the enforced use of degradable packaging as a perceived solution to littering.

### Giving plastic bottles a second life

To assist our customers in French hospitals and clinics, we developed a custom-made solution for collecting the plastic ready-to-drink bottles used for infants.

Staff at each site could organise the removal of the bottles within 48 hours with just a phone call or email. They were passed on to PAPREC, the French recycling and valorisation company, and transformed into products designed for children, such as high chairs, car seats and sandboxes.

This process involves complete traceability from the hospital to the recycled product, enabling each hospital to know how many products they helped to create through this initiative.


### Recycling rates around the world

The recycling rate of used packaging depends on the availability of recovery and recycling infrastructure. This can be a particular challenge in some developing countries, where the only recycling method is through waste pickers who recover packaging from landfill sites.

Through a global study with Der Grüne Punkt – Duales System Deutschland GmbH, a leading German extended producer responsibility scheme – we have evaluated the recycling rate of different used packaging materials in 15 major countries. These national recovery rates are crucial for accurately and reliably assessing the overall environmental performance of packaging concepts via our ecodesign tool.

[The table](#) shows the recycling rate by packaging material category. The rates are averages based on the latest available data, and the figures apply to our used packaging.

In 2014, our R&D centre in Singapore evaluated and added the packaging recovery rates for Singapore, Malaysia, Indonesia, the Philippines and Thailand, and updated the figures for Japan.

 **Read more about our work to [increase consumer recycling rates](#).**



Recycling rates by packaging material category							
	Year	Paper, board, cardboard (%)	Plastic (%)	PET bottle (%)	Glass (%)	Tinplate (%)	Aluminium (%)
<b>Australia</b>	2010	75.5	34.8	n.s.	47	30.3	67.4
<b>Brazil</b>	2009	n.s.	21	56	47	49	98
<b>Canada</b>	2010	64.7 (2009)	n.s.	n.s.	n.s.	67.1	n.s.
<b>China</b>	2009	56	25–30	n.s.	>50	>50	>95
<b>France</b>	2009	54	22.5	22.5	80	111	32
<b>Germany</b>	2009	83	83.8	n.s.	86	95	84
<b>India</b>	2010	n.s.	48.5	n.s.	70 (2007)	n.s.	n.s.
<b>Indonesia</b>	2014	0	0	0	0	2	2
<b>Italy</b>	2008	74	30	n.s.	65	70	58
<b>Japan</b>	2014	64	26	91	68	95	91
<b>Malaysia</b>	2014	4	1	1	1	0	0
<b>Mexico</b>	2009	12	0.5	24	19	71	13
<b>Philippines</b>	2014	33	24	24	27	20	31
<b>Russia</b>	2007	<53 (2010)	4 (2009)	12	40	n.s.	n.s.
<b>Singapore</b>	2014	56	10	10	26	96	79
<b>Spain</b>	2010	84	42	n.s.	n.s.	>71	>71
<b>Switzerland</b>	2009	57	n.s.	81	95	82	91
<b>Thailand</b>	2014	25	25	25	25	25	25
<b>UK</b>	2008	80	24	39	61	62	35
<b>USA</b>	2009	71.8	13.7	28	31.1	66.2	38

#### Assumptions and notes:

- Due to the lack of national and international standards for generating statistics, analysis of available data is sometimes based on extrapolation.
- Data refers to packaging waste from municipal waste if no other information is available.
- Often recyclables and packaging from industry and commercial sectors are recycled internally in closed-loop systems and are not included in the data.
- Separately collected waste is mostly recycled and is not disposed of with household waste.
- Recycling and recycling rates refer to recycling in the country.
- Tinplate and aluminium refer to all packaging material of this fraction if no other information is added.
- Activities of the informal sector are partly not included in the statistical data and could lead to higher collection and recycling rates.
- n.s.: not specified.

## Using recycled materials

We use recycled materials for packaging where they are equal or better in environmental performance, as demonstrated by life-cycle assessment (LCA), and do not jeopardise the quality, performance, safety or consumer acceptance of our products. The challenges we face include improving the quality of recycled board in terms of mechanical properties while reducing potential health concerns related to the risk of residual mineral oils leaching from the packaging. We used 26.8% of recycled material in our packaging in 2014.

We use recycled PET (rPET) for water and ready-to-drink products in a number of countries where it has similar or better environmental performance than virgin PET, and where it is relevant as a means to incentivise consumers, communities and other stakeholders to implement collection systems and to collect and recycle more. Five Nestlé Waters North America brands (*Arrowhead*, *ReSource*, *Deer Park*, *Nestlé Pure Life* and *Montclair*) incorporate rPET into some of their bottles; the amount of rPET used varies from 50% to 100%, accounting for 6% of the plastic we purchase and representing 11 793 tonnes of recycled PET per year.

The Italian mineral water brand *Vera* has incorporated 25% of recycled PET in its bottle range, and [Nestlé Hungary](#) used rPET for a plastic tray for seasonal chocolates.

## Extracting value from plastic waste

Processing plastic waste can be a challenge. Since 2012, we've been working with a specialised consulting company to understand the different technologies available, or potentially available, for recovering value from mixed plastic waste. We identified more than 40 available technologies focusing on pyrolysis, a technology that breaks down plastics – under moderate heat in the absence of oxygen – producing a liquid that can be used as a fuel, as well as gasification, which turns plastics to oil. We have reviewed how different plastics found in the waste stream influence process performance, as well as the quality and yield of the fuel produced.

During 2013, we made recommendations for the application of pyrolysis technologies at different scales, from plant-level factory waste to a local waste management level for post-consumer waste. Our R&D centre in Singapore has looked at the feasibility of one particular technology, which converts mixed waste into energy for water heating, and shared recommendations for implementation.

In 2014, we commissioned test pyrolysis equipment to process 50 kg of mixed plastic waste as a demonstrator for how comprehensive waste management can reduce littering.

## Developing a consistent approach

A variety of initiatives have been undertaken to generate and disseminate guidance on design for recycling Nestlé packaging, and to ensure we remain at the forefront of best practice.

Our Packaging Environmental Sustainability Network, comprising 12 core team members and 206 affiliates, provides scientific support, information and training related to packaging environmental sustainability. In 2014, they helped train more than 550 Nestlé employees on one or more of the focus areas covered by [The Nestlé Environmental Sustainability Policy](#). The network reviewed existing design for recycling guidelines for various packaging formats and materials, and their use within the company, to ensure that these guidelines are applied in the packaging development process. The first guidelines to be validated and recommended for use are PET bottle design guidelines.

Our experts at Nestlé Waters have also supported the development of the European PET Bottle Platform (EPBP) Design for Recycling Guidelines for PET Bottles; these encourage packaging designers, converters and users to integrate certain criteria during the product development phase to promote recycling. Such guidelines are now available [online](#), and have been shared and promoted within Nestlé through the Packaging Environmental Sustainability Network.

# Transport and distribution

**We travel the equivalent of 264 times around the world every day, transporting more than 141 000 tonnes of products from around 1 630 warehouses to our customers. Most of our distribution is conducted through partnerships with third-party logistics providers, and we rely on them to help us track our environmental performance and improve the efficiency of our distribution network – reducing mileage and fuel consumption, minimising GHG emissions, and cutting noise and congestion. We've also expanded our reporting to cover transport from distribution centre to customer, as well as factory to distribution centre, so that it now covers 65% of the total volume of goods we distribute (2013: 60%).**

Note: In a number of instances in this section, 2013 data is the latest available at the time of publication.

See also [Climate change](#).

## Our approach



As stated in [The Nestlé Policy on Environmental Sustainability](#), we:

- Optimise distribution networks and route planning across all our operations;
- Explore opportunities to improve transportation, for instance by using sea and rail instead of road, and looking into alternative fuels; and
- Expand driver training, both from a safety and environmental efficiency perspective (information on road safety can be found in [Our people](#)).

New technologies are key in every case, so we invest in innovations that will provide environmental and efficiency improvements.

## Reducing fuel consumption and emissions

We're working to cut fuel consumption and CO<sub>2</sub> emissions by improving the efficiency of our distribution networks – making better use of space in our vehicles, avoiding unnecessary miles and using more efficient modes of transport.

### Emissions from transportation<sup>16</sup> (estimated million tonnes of CO<sub>2</sub>eq)

2013	2.9
2012	3.2
2011	2.9

See notes on data [here](#).

## Distribution networks

In 2014, we redesigned 11 distribution networks globally to improve efficiency. One such case in Mexico allows an increased volume of direct deliveries from our factories, cutting CO<sub>2</sub> emissions by around 650 tonnes. And in Thailand, a new national distribution centre is also used for raw and packaging material, reducing overall required warehouse space and avoiding unnecessary transportation. This has led to a reduction of CO<sub>2</sub> emissions of around 480 tonnes.

By building its new factory in the town of Perus, closer to consumers, to improve the efficiency of local transportation and distribution, Nestlé Waters Brazil products now travel an average of 142 km to reach major customers, compared to 474 km in 2011. This saves more than 4 000 tonnes of CO<sub>2</sub> emissions a year.

## Route optimisation and technology

As part of our 'no truck leaves empty' approach, we continue to optimise route planning, and we are constantly exploring opportunities for more sustainable transportation options. We're cutting emissions by shifting from long-distance road transportation to a combination of rail and sea. Like using the rail network, shipping goods by sea helps to cut traffic congestion and air pollution.

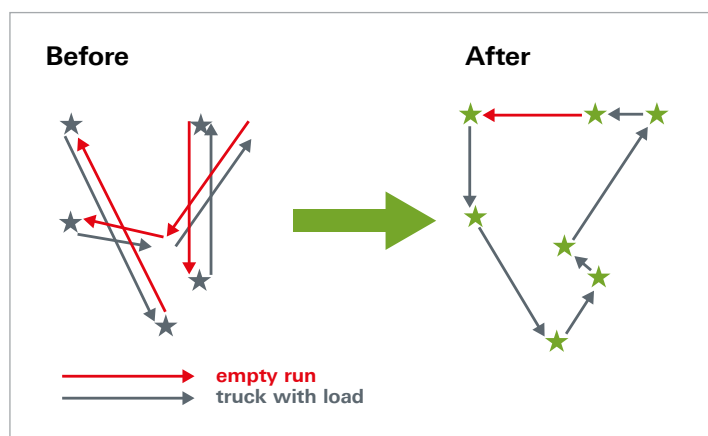
<sup>16</sup> The 2011 and 2012 figures were restated due to more complete data. 2013 data is the latest available at the time of publication.

## Optimised route planning

We work with our suppliers and customers to cooperate on the use of delivery vehicles and avoid trucks being empty on a return journey.

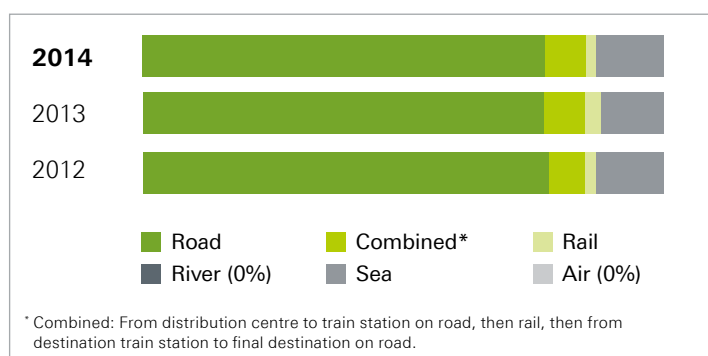
For example, in the UK, Nestlé launched Project Pick-up in 2012 to reduce the number of empty vehicles on the road, cutting mileage and reducing GHG emissions. We now use one vehicle to collect raw materials from Dungannon and Craigavon in Northern Ireland and deliver them to our factory in Wisbech, Cambridgeshire. This same vehicle then collects finished products from the factory and delivers them to our distribution centre in Hams Hall, Warwickshire. And from there, we load the vehicle with a delivery order and give the driver a route home that maximises capacity and driving time, ensuring all journeys are as efficient as possible. Similarly, Nestlé Brazil put in place a Transport Command Centre to enable the integrated management of all transport, increasing the efficiency of the fleet, minimising waiting times and the number of trucks, favouring collaborative and synchronised operations, reducing costs, improving service and avoiding unnecessary CO<sub>2</sub> emissions.

## Optimised route planning



In a first step, static circuits were identified, where trucks always run with a load, minimising the empty runs of a truck. The currently identified circuits will reduce CO<sub>2</sub> emissions by around 1 300 tonnes a year.

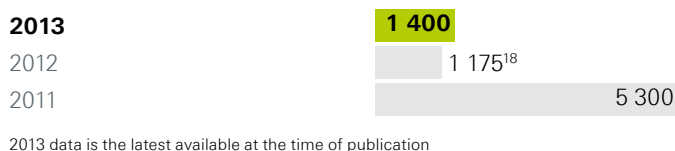
## Transport modes (global)<sup>17</sup>



As part of the EU Marco Polo project, several train links using scheduled rail services between Italy, France, Germany and Slovakia are shifting the distribution of more than 360 000 tonnes of petcare, water and cereal products from road to rail transport by 2016. This transport mode shift will take around 5 000 trucks per year off the road.

Nestlé Waters relies heavily on the rail network for efficient long-distance transportation. In 2013, around 28% of its European distribution was by rail; of all water products transported, 38% by volume in Italy was by rail, and 40% in Belgium. Nestlé Waters constantly reviews opportunities to shift to rail transport, and achieved a 5% improvement in the carbon efficiency of its transport between 2010 and 2013.

### Modal shift from road to rail/short sea, Europe (tonnes of CO<sub>2</sub>eq saved)



### Cumulative GHG savings per tonne of product from different transport modes – EU only (%)



### ISO 14001:2004 certification – distribution facilities



See notes on data [here](#).

<sup>17</sup> Due to rounding to one decimal place, the values might not add up to exactly 100%.

<sup>18</sup> In Europe, some sourcing changes and cost effectiveness decisions in 2012 led to a shift from rail and short sea to road transport. However, overall, CO<sub>2</sub> emissions were lower in 2012 in Europe due to shorter transport distances travelled.

## Fleet vehicles

We continue to expand driver training from both a safety and environmental efficiency perspective. This is complemented with a further roll-out of telematics, such as GPS systems, on our vehicles. In our US ice cream business, more than 1 700 delivery vehicles were equipped with such technology in 2014.

## Improving our warehousing

We carefully track energy and water consumption in our warehouses to identify opportunities to improve warehouse layout, internal movements, lighting, heating, cooling and insulation.

Lighting consumes up to 50% of the energy used in an ambient (i.e. unheated or uncooled) warehouse. Switching to fluorescent and LED lamps in our distribution centre in Singen, Germany, as well as using skylights for additional natural light led to a 50% reduction of energy used for lighting. And our new water bottling factory in Buxton, UK, was designed to incorporate warehousing on site, enabling the products to flow off the production line into customers' trucks, removing haulage traffic between sites.

We estimate that we generated approximately 375 000 tonnes of GHG emissions from our warehousing in 2013 (2012: 374 000). The slight increase is due to increased volumes that could not be totally compensated for with efficiency improvements.

### GHG emissions from warehousing<sup>19</sup> (estimated tonnes)

<b>2013</b>	<b>375 000</b>
2012	374 000
2011	347 000

2013 data is the latest available at the time of publication

### GHG emissions from transport and warehousing (million tonnes)

<b>2013</b>	<b>3.3</b>
2012	3.5
2011	3.2

2013 data is the latest available at the time of publication

## Using alternative fuels

As part of our efforts to reduce GHG emissions, Nestlé Switzerland continues to use two electric trucks for ice cream and frozen food deliveries, and Nestlé Waters North America has bought five propane gas trucks for delivering *Arrowhead Mountain* spring water in Los Angeles. The company currently operates more than 2 000 trucks across the USA that are primarily fuelled by diesel, but the propane-fuelled vehicles – and an on-site propane fuelling station – will help lower the company's infrastructure and energy costs.

In a long-term trial, Nestlé UK is using three Volvo trucks that use LNG (liquid natural gas) or bio-methane to replace around 75% of the diesel normally used. The tests showed a 15% reduction in CO<sub>2</sub> at the exhaust, leading to a 'well to wheel' reduction in CO<sub>2</sub> of up to 70%, and a significant reduction in NOx and particulates. A further trial using propane to improve the efficiency of the diesel burn process from around 80% to more than 90% is expected to result in a 20% reduction in CO<sub>2</sub> and 98% reduction in particulate matter.

<sup>19</sup> The 2011 and 2012 figures were restated due to more complete data.



# Promoting sustainable consumption

**We believe that by using our brands at different touchpoints in the product life cycle, we can help raise environmental awareness among the millions of people who use them. In particular, educating them about the environmental challenges associated with product use and end-of-life disposal offer the greatest opportunities to help improve environmental impacts along the value chain. Therefore, we provide consumers with meaningful, accurate and credible information about the environmental performance of our products, activities and services, based on scientific, substantiated evidence. This enables them to make more informed choices and helps us promote sustainable consumption.**

See also [Environmental life cycle of products](#), [Packaging](#), [Waste and recovery](#).

## Fact-based environmental information



### Our commitment



**Provide meaningful and accurate environmental information and dialogue**

We invest in opportunities to help safeguard the environment throughout the [product life cycle](#), and what happens during a product's use and at the end of its life can significantly influence the environmental sustainability performance of a product.

We are committed to continually improving our products' environmental performance across the entire value chain, and giving our consumers product information based on scientific, substantiated evidence. We communicate science-based environmental information at corporate, market and product brand level and such information is accessible to consumers via our websites in 109 countries.

For instance, in the UK, we teamed up with national retailer Sainsbury's, whose focus on environmental sustainability makes it the perfect partner for the Nescafé Plan. At the point of purchase and online, three key messages were delivered to consumers: that *Nescafé* refill packs require 50% fewer lorries for distribution; that UK coffee factories have achieved zero waste to landfill; and that *Nescafé Gold Blend* has distributed 4.5 million trees to Colombian farmers. GBP 7.7 million (CHF 11.85 million) in sales was achieved in the year of the launch, GBP 1.7 million (CHF 2.61 million) more than the previous year.

We use a variety of relevant contact points, from packaging to digital and mobile channels, to explain the complex topic of environmental sustainability to non-specialists.

We also support and shape the development of communications best practice and standards, working in collaboration with industry and government, and leading forums such as the [European Food Sustainable Consumption and Production Round Table](#) and [FoodDrinkEurope](#).

To help us develop communications that build brand preference and consumer trust, we conducted 11 brand-led workshops in 2014. These are designed to help brand managers understand how their products contribute to Creating Shared Value, and how this should be integrated into communication strategies and activities. Output from 2013 workshops, from communications to community programmes, continues to be implemented.

We have also launched NESECA (Nestlé solution for the Environmental and Social External Communications Approval), a simple web-based tool designed to improve the accuracy of external environmental and social communications, and to accelerate the existing internal validation process. It will also provide our markets with a common, global archive of environmental and social communications.

### **Solís: committed to more sustainable business practices**

*Solís* is a major player in the Spanish market for tomato-based sauces, selling nearly 50 million packs each year. However, the brand is facing essential challenges in a market with low value-added perception where retail brands account for almost 60% of share. The Spanish team decided to face this challenge by strengthening the brand essence and formulating a commitment towards consumers, the environment and, ultimately, for sustainable business success in the future. This led to the launch of the *Solís* Responsible programme:

- **Nutrition:** Offering a range of nutritionally balanced products using natural flavours and no added preservatives;
- **Local sourcing:** *Solís* only sources tomatoes from Vega del Gadiana in the Extremadura region of southern Spain, the perfect environment due to its climatology and soil conditions; and
- **Continual improvement in environmental performance:** Tomatoes used in *Solís* products are grown under the Rules of Integrated Production of Extremadura, promoting processes and practices leading to high-quality products while respecting the environment and ensuring enhanced sustainable agriculture. For example, by using soil moisture sensors and applying crop rotation techniques, farmers have reduced irrigation water and fertiliser use by a third.



“

At *Solís*, we strongly believe that we must, and can, contribute to a more sustainable future. We will continue working to make this programme bigger, bolder and better, adding more value to our brand and turning our Creating Shared Value strategy into our main competitive advantage.”

**Felipe Antón, Marketing Brand Manager**  
– Culinary, Nestlé Spain

### Product labelling

We provide information online and on product packaging for owners of *Nescafé Dolce Gusto* coffee machines to encourage them to take care of their machine, favouring repair over replacement and advising them to return the machine at the end of its life to our distributors for recycling.

Many other products across a range of categories carry on-pack environmental messaging, including the responsible sourcing of ingredients, waste management, resource use and recycling. For example:

#### On-pack messaging

##### **Quality Street, UK**



##### **NESPRAY, South Africa**



##### **Mousline, France**

“Keen to reduce CO<sub>2</sub> emissions, preserve water resources and maintain soil fertility, we encourage our agricultural partners to engage in sustainable agricultural practices. You can help too by recycling this carton. If all *Mousline* cartons were recycled, it would represent a saving of 80 million litres of water used in the production process.”



##### **Nescafé Gold, Switzerland**

“Through the Nescafé Plan, we are engaging with farmers towards more responsible farming and production. For example, to this day, more than 180 000 farmers have been trained in good agricultural practices. These efforts continue in Orbe, where the coffee beans are transformed and packed through sustainable production methods, in a factory where one-third of its steam needs are sourced through coffee grounds.”

## Going 'beyond the label'

### Our objective

**By 2016** – Fact-based environmental information will be accessible to consumers in all countries, enabling them to make informed choices and improve their own environmental impacts.

We see opportunities to build consumer interest in environmental issues by using smartphone and other mobile technology to go 'beyond the label'.

Since 2005, we've provided [nutrition facts on product packaging](#) using the *Nestlé Nutritional Compass* and Guideline Daily Amount (GDA) information. Now we've expanded this to include QR codes linking to mobile-friendly websites, which give consumers other relevant, user-friendly content. We are rolling out QR codes across our product portfolio, and product information is now provided via more than 2 000 product websites covering 31 brands in 43 countries.

Depending on the product range, the information – aligned with local regulations, industry agreements, and internal standards and policies – may include tips on sustainable consumption and product use, from advice on avoiding food waste to guidance on reusing, recycling or disposing of packaging. And if we have carried out a [full LCA](#) of the product range in question, we provide a summary of the independent scientific information about the product.

For example, in India, *Maggi* Soups has launched a microsite – accessible by scanning on-pack QR codes with a smartphone – that contains tips on portion guidance and vegetable consumption. And by scanning a QR code with a mobile phone, consumers of *Everyday a+ Milk* and *Nestea* in India can access information through the internet, to improve their environmental impact when preparing their meals and cleaning up. They can learn how to make the ideal glass of iced tea and read energy-saving tips. The website also features a Product Life Cycle section, explaining more about how we make products such as UHT milk.

### Helping customers to make informed decisions

Nestlé Professional has created an easy-to-use tool that helps restaurants, caterers and other out-of-home providers understand the environmental impacts of providing coffee to employees or customers. The tool takes into consideration the number of employees, how many cups per day they consume, the type of cup used and the type of machine serving coffee. By entering values in each category, customers can compare different solutions and quickly see the environmental and economic impacts of different choices.

## Consumer behaviour change campaigns

We believe we can make the greatest difference by encouraging people to behave more sustainably, by engaging with them about how we can all recycle more, save energy, use fewer natural resources and consume less water.

For example, our Kejayan factory in Indonesia is located in a rural area where the community relies on agriculture. Unfortunately, water conservation practices are poor because people lack knowledge and awareness on environmental issues. To help the community surrounding the factory, we are introducing the Environmental Education for Students programme to around 1 000 students across five elementary schools a year. The programme involves short, engaging presentations about the importance of water and water conservation best practice; these are complemented by practical sessions on planting trees and growing vegetables, which can be eaten or sold once harvested. In August 2014, factory employees attended a harvesting day alongside 40 students.

### Nestlé Waters

The importance of engaging consumers in [recycling](#) campaigns in particular is reflected in the many initiatives in which our business is engaged around the world. Nestlé Waters is particularly active in this area and is beginning a movement called R-Generation (Recycling Generation) to encourage recycling behaviour change. The movement focuses on raising awareness about empty PET bottles being a resource rather than a waste material, and about the benefits PET recycling brings to the economy, society and the environment. Some of Nestlé Waters' activities include:

- Providing containers for collecting PET bottles in supermarkets in France and Lebanon. In Lebanon, the Protect Lebanon – Recycle Today programme has collected 2 million bottles since 2011 and 12 more 'reverse vending machines' were set up in 2014;
- Continuing to promote PET recycling in Thailand by rolling out its fourth 'I am Doing It' campaign across the Nestlé office, public areas and schools in Bangkok. Running since 2011, 'I am Doing It' aims to motivate children, employees and the general public to recycle bottles and other PET packaging. Nine schools in the Chiangmai province participated in the 2014 initiative, collecting enough empty water bottles to turn into 950 sweaters made from recycled PET;
- A partnership between *Vittel* and Dodo, a French bedding maker, to transform PET into stuffing for duvets and pillows. In 2014, the partnership produced several thousand *EAU'DO-DO*-branded duvets, pillows and travel cushions; and
- The 'Recycle Cycle' scheme in Buxton, UK, is a partnership between Nestlé Waters and Recoup, a national organisation that promotes plastics recycling. The scheme aims to work with the community to change people's behaviour towards recycling and show that their efforts can make a real difference. Set up in 2010, the scheme now has more than 60 recycling units placed in Buxton, allowing local people, 3 000 pupils in nine schools and the town's many visitors to recycle while out and about.

## Assessing effectiveness

To understand how we are perceived and how well our information has been received, we continuously review consumer feedback, carry out brand research and keep abreast of leading external studies. We also use Twitter and other social media to engage with consumers on environmental issues that matter to them.

We've also been successful in a number of leading third-party environmental and sustainability rankings and indices – there are encouraging signs that we have been recognised by external stakeholders for communicating effectively with consumers about environmental issues.

For example, Nestlé was ranked 54<sup>th</sup> out of 100 selected companies, with a 6% increase in brand value, in Interbrand's index of Best Global Green Brands 2014, and *Nescafé* was ranked 38<sup>th</sup> with a 7% improvement in brand value. The index measures environmental performance against consumer perceptions, and a positive score indicates that "a brand is doing more than it is given credit for".

When consumers were asked to rate us on the statement "Nestlé cares for the environment", we performed better than the market average in 24 out of 31 countries (Corporate Equity Monitor, 2013); Nestlé also significantly outperformed the best competitor in 12 of those markets. Only one market (Japan) recorded a score significantly below the market average.

### Number of countries where we are performing better than the industry average on the statement "Nestlé cares for the environment"

<b>2013</b>	<b>24 out of 31 (77%)<sup>20</sup></b>
2012	19 out of 33 (57%)
2011	23 out of 29 (79%)

<sup>20</sup> 2013 data is the latest data available at the time of publication.

# Waste and recovery

**In a world facing increasing constraints on natural resources, our long-term goal is simple but ambitious: zero waste for disposal. We're making progress against a number of interim targets by preventing and minimising the waste we generate in the first place, by avoiding food wastage and improving resource efficiency along the value chain. We also look to reuse materials and create value from them – through energy recovery or creating new uses for by-products – where feasible.**

See also [Packaging](#), [Sustainable consumption](#).

## Preventing and reducing waste



### Our commitment



**Improve resource efficiency in our operations**

Waste is defined as any material that arises during the manufacture or distribution of a product that is destined for final disposal to offsite landfill or for incineration without energy recovery. Our overall ambition is to work towards zero waste, which means that eventually, no waste generated in the factory will go to landfill or be incinerated without energy or other resources being recovered from the process. However, in many countries, this is made more challenging by a lack of public waste recovery and recycling infrastructure.

Since 2004, we've reduced waste for disposal per tonne of product by 69.9% and we've cut total waste for disposal by 51.5% to 213 000 tonnes. Only 1% of the waste we generate – such as detergents, oils, fuels and grease – is classified as hazardous. We manage and dispose of this hazardous waste in accordance with local regulations and standards worldwide.

In 2014, we recovered 87.9% of the materials that arise from manufacturing (2013: 85.4%). This spans reuse or recovery, including recycling, composting and incineration with energy recovery.

### Waste disposal (thousand tonnes)

2014	213
2013	257
2012	315

### Waste for disposal (kg per tonne of product)

2014	4.0
2013	4.9
2012	6.6

### Material recovery and disposal (%)

	2012	2013	2014
Materials recovered (%)	82	85	88
Materials disposed of (%)	18	15	12

### Waste for disposal generated in our factories

(kg waste for disposal/tonne of product)

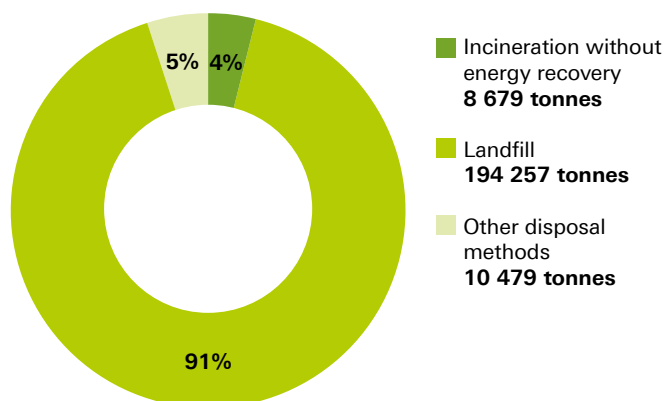




**Total materials<sup>21</sup> by disposal method (tonnes)**

Composting	347 072
Incineration with energy recovery	199 889
Other recovery processes	161 991
Recycling	574 267
Reuse	266 832
Deep well injection	21
Incineration without energy recovery	8 679
Landfill	194 257
On-site storage	108
Other disposal methods	10 479
<b>Total</b>	<b>1 763 595</b>

Of the waste we disposed of, 91% went to landfill, 4% to incineration and 5% to other methods of disposal.

**Waste for disposal destination (tonnes)****Zero waste for disposal****Our objective**

**By 2015** – We will achieve zero waste for disposal in 10% of our factories.

In almost all the countries where we have operations, alternatives to landfill or incineration without energy recovery exist, but in many locations the infrastructure for recycling is insufficiently developed. This makes it challenging to achieve zero waste for disposal at every factory so we launched a 'Zero Waste for Disposal' toolkit. It helps us to:

- Understand the challenges faced by some Nestlé factories in their journey towards zero waste and the solutions implemented;

- Discover the recycling, recovery and reuse destinations of different materials such as coffee grounds, tea leaves and *Nescafé Dolce Gusto* capsules;
- Compare the economic costs and benefits of achieving zero waste for disposal; and
- Share the best practice we've implemented in our factories.

**Nestlé Purina's War on Waste (WoW)**

Nestlé Purina's War on Waste (WoW) initiative is a significant step towards reaching a goal of zero waste for disposal by 2020. From 2010 to 2014, Nestlé Purina has been able to reduce the generation of pet food waste by 34%.

By using Nestlé Continuous Excellence (NCE) practices to eliminate the generation of food waste and waste sent to landfill, as well as significantly reducing energy and water use, its dry pet food factory in Oklahoma City, USA, is a great example of the initiative in action.

In 2010, the factory embarked on its own War on Waste, initially motivated to reduce operating costs by improving waste utilisation and reducing waste creation. Since then, the factory has adopted a much broader, longer-term goal: to have zero impact on the environment.

- **Waste:** As well as recycling warehouse cardboard waste, wooden pallets and paper from offices, the factory started sending pet food waste to compost in mid-2014, and expects to reduce waste to landfill by 78% in the first year;
- **Energy:** The factory has the lowest energy usage per tonne of all Nestlé Purina's dry pet food factories, thanks to redesigned lighting, weekend energy shutdowns and efforts to reduce compressed air leaks; and
- **Water:** In 2013, the factory reduced its absolute water withdrawal by 6.2% compared with 2012 and achieved a further 6% reduction in 2014, assisted by the installation of a second reverse osmosis unit.

From January 2013 to July 2014, the factory's WoW initiatives reduced its operating costs, and ongoing savings are expected because of continued efforts to reduce waste generation. Additionally, composting costs are less than landfill costs.



<sup>21</sup> This includes hazardous and non-hazardous materials. Hazardous waste in 2014 was 2.6 10<sup>3</sup> tonnes. Only 1% of the waste we generate is classified as hazardous.

Having set ourselves a realistic goal to achieve zero waste in 10% of Nestlé factories by 2015, we met this target in 2013, two years early, when 56 Nestlé factories (11%)<sup>22</sup> achieved zero waste for disposal. In 2014, we reduced waste for disposal by 19% against 2013 figures (2013: 25% reduction against 2012).

To date, 72 Nestlé factories (15%) have now achieved zero waste for disposal. This total includes nine out of 13 UK factories (2013: 10 out of 14) – a major milestone towards a further ambition to achieve zero waste in all UK factories by 2015, and in all European factories by 2020 – and all Nestlé Waters factories.

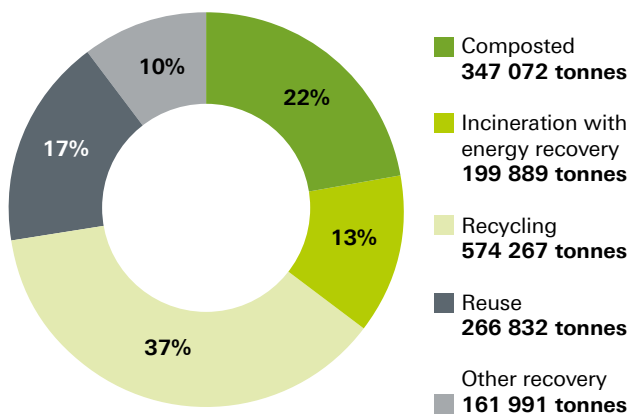
#### Number of factories with zero waste for disposal



#### Recovery for by-products

A by-product is any material generated during the manufacture of a product that leaves the factory and is destined for reuse or recovery including recycling, composting, and incineration with energy recovery. In 2014, 37% of by-products were recycled and 22% composted, while 13% were disposed of by incineration with energy recovery

#### By-product destination (tonnes)



We've begun a detailed analysis of the waste and by-products generated by our manufacturing facilities, to highlight best practice across our markets and identify opportunities to transform waste streams into useful by-products. For example:

- **Composting:** 88% of the sludge generated by Nestlé-owned wastewater treatment plants is recovered and sent for controlled land spreading, sludge digestion, methanisation and composting. Nestlé Malaysia uses microbial conversion to transform sludge – a by-product of wastewater treatment – into fertiliser; and
- **Incineration with energy recovery:** In 22 *Nescafé* factories, we use the spent coffee grounds resulting from the manufacturing process as a source of renewable energy.

#### Reducing food wastage

Each year, more than a third of the food that's produced for human consumption (around 1.3 billion tonnes) is lost or wasted, according to the [UN Food and Agriculture Organization \(FAO\)](#); this not only has an impact on the global economy and food availability, it also creates adverse environmental impacts such as greenhouse gas emissions.

In developing countries, this occurs largely in the upstream supply chain, and in the developed world, it's more concentrated further downstream between the retailer and the consumer. Addressing these food losses and waste is a crucial part of the journey towards being able to feed an estimated 8 billion by 2030 and 9.6 billion people by 2050<sup>23</sup>. This complex issue can only be tackled through a holistic and collaborative approach.

Over the last 10 years, Nestlé has more than halved the amount of waste for disposal generated in our factories, per tonne of product.

Nestlé is firmly committed to playing its part, by helping reduce food loss and waste along the entire value chain from farm to consumers and beyond. We established the Nestlé Zero Food Wastage Taskforce in 2013 to define, monitor and update our comprehensive programme across our own value chain, and to guide multi-stakeholder initiatives. Our leadership team met three times during 2014 to review and update our action plan, and we launched [The Nestlé Commitment on Food Waste](#) in early 2015, through which we state that we pledge to help reduce food wastage throughout the food chain. We call on governments and all stakeholders involved in the food chain, from farmers to consumers, to take further action to prevent and reduce food wastage on a global scale. Nestlé will contribute to achieve this through its own initiatives and collectively in a series of partnerships. We will share good practices to avoid food wastage and promote awareness among suppliers, employees and consumers.

#### Nestlé and food banks

Nestlé currently provides donations to food banks in 20 countries through its collaboration with the Global Food Network (GFN). These include a number of countries in Latin America as well as the UK and Bulgaria. Beyond our partnership with the GFN, we also work alongside a range of organisations across Europe, and with Feeding America in the USA.

We donated 3.6 million kg of products to food banks around the world in 2014, and 59.1 million kg since 2005.

<sup>22</sup> 2013 data restated due to some of our large joint ventures reporting environmental data for the first time in 2013 but not having material consumption data available at the time.

<sup>23</sup> Source: United Nations, Department of Economic and Social Affairs, *World Population Prospects: The 2012 Revision* (<http://esa.un.org/wpp/>).

## Addressing food wastage



Some of the actions we have already taken to address food wastage are outlined below.

### Research and development

The assistance we provide to farmers helps tackle food wastage at source. Our plant science initiatives support the development of varieties of coffee and cocoa plants that are higher yielding and more drought- and disease-resistant, reducing the number of plants lost to disease or climate-related issues.

### Agriculture

In the milk supply chain, we've provided cooling facilities to farmers in developing countries that have cut milk losses – saving water, energy and GHG emissions as well as money. In Pakistan, in the district of Renala, for example, we have more than halved the losses of milk between the cooling facilities and the factory.

And our Grains Quality Improvement Project is working towards a 60% reduction in mycotoxin contamination levels in the cereal grains we source for our cereal brands in Central and West Africa. This is being achieved through a combination of good agricultural, drying and storage practices, and capacity-building training sessions from Nestlé agronomists. In 2014, 14 660 African farmers were trained and are now able to produce grains with mycotoxin levels within Nestlé standards (four parts per billion).

Similarly, up to 30% of the rice, maize and cowpea crops – used to make Nestlé infant cereals – in Central and West Africa were being lost to mould when stored and handled inappropriately in the humid environment. Nestlé Nutrition provided intensive training to 30 000 farmers on proper harvesting methods and even employed a theatre group to share best practice in an engaging way.

### Factories

One approach to improving our operational efficiency translates into doing more with fewer resources and generating less waste. In our factories and distribution centres, our goal is zero waste for disposal by 2020; we currently have 72 factories with zero waste for disposal. We are also working towards maximising the value of recycled or recovered materials from our operations, and provide donations to food banks in 20 countries (see below).

### Packaging

The packaging of our products is crucial to prevent food waste, guarantee our high quality standards and inform our consumers. We are committed to optimising the environmental performance of our packaging. We make sure that the environmental benefits from packaging improvements are not outweighed by increased product losses due to under-packaging.

Packaging helps prevent losses resulting from breakage and spoilage, so we're developing packages and bags that are more resistant to tearing, punctures and other damage.

### Distribution

We are taking steps to improve our demand planning – supporting [manufacturing efficiency](#), reducing wastage due to age or obsolescence, optimising our inventory management and ensuring fresh products at point of sale. And we're using our expertise and new technology to avoid food wastage in our [distribution operations](#).

## Consumers

Offering consumers storage guidance and preparation instructions are important factors in reducing waste, so we help by providing clear instructions on our packaging, as well as on product and brand websites to raise awareness among consumers on the issue of food wastage. Products carry the slogan 'Portion Guidance™'.

- We've also been developing creative solutions that can help consumers make the most of leftovers. These include a range of different doughs (pizzas, pasties, etc.) that can be filled with leftover food from the fridge, and in France, *Maggi* has brought out a smartphone leftovers app full of top tips and recipes. *Maggi* Soups in India has also launched a [micro-site](#) accessible by scanning on-pack QR codes with a smartphone.
- Nestlé Professional has developed a range of online courses for hospitality and food service customers in the UK and Ireland, including one focused on waste management issues that provides practical suggestions for reducing, reusing and recycling.

## Employees

We use employee engagement campaigns to raise awareness and reduce food wastage in our canteens and factories. For instance, at our headquarters in Vevey, Switzerland, employees were encouraged to take reasonable portions at the self-service restaurant and given the opportunity to buy any leftovers to take home; in six months, food waste fell by a third. And at our Product Technology Centre in Orbe, employees could take an online quiz on food loss and wastage.

## Multi-stakeholder partnerships

We are actively participating in a number of multi-stakeholder initiatives to combat food wastage, at a global and national level:

- On behalf of the Consumer Goods Forum, we are a member of the steering committee of the [World Resources Institute](#) (WRI) Food Loss and Waste Measurement Protocol. We are currently conducting a pilot to evaluate food waste across our supply chain using the WRI's methodology, and results are expected in spring 2015;
- As the chair of the Environmental Sustainability Committee of [FoodDrinkEurope](#), we lead the design of the Joint Food Wastage Declaration, 'Every Crumb Counts', through which signatories commit to the objective of reducing food wastage throughout the food chain and to contributing to halving EU edible food waste by 2020. We also contribute to the development of the *Preventing food wastage in the food and drink sector* report showcasing the concrete actions being taken by Nestlé and other European food and drink manufacturers to tackle food wastage both within their own operations and throughout their supply chains;
- We backed [UNEP's Think.Eat.Save campaign](#) as part of World Environment Day activities across the Group, encouraging people to reduce their 'foodprint';
- We are a member of the Grocery Manufacturers Association-led [Food Waste Reduction Alliance](#), which aims to decrease food waste sent to landfill in the USA;
- We participate in the EU Fusion Project to avoid food wastage; and
- We helped develop the Food and Agriculture Organization (FAO) toolkit 'Reducing the Food Wastage Footprint'.

For more thoughts on the topic, read Peter Brabeck-Letmathe's [rising food waste and water shortage](#) blog.

### Food Recovery Challenge

In an effort to reduce waste, Nestlé USA – along with other food industry corporations – has joined the US Environmental Protection Agency (EPA) [Food Recovery Challenge](#), formally pledging to keep track of food inventories and set a goal to reduce overall food waste. This reduction can be done through donating to those in need, modifying food purchasing, changing production, reducing portion size and recycling.

Nestlé USA was recently recognised in the EPA's [blog](#) as a leader in the food recovery effort.

# Providing climate change leadership

**With the highest carbon dioxide levels for 400 000 years<sup>24</sup>, the resulting changes in climate may threaten global food security in general, and our business in particular. The availability of water may become more limited, affecting agricultural irrigation and factory operations in water-stressed areas. The long-term supply of safe, high-quality ingredients for our products may also be affected as crop yields fall and production areas shift. And the ability to manufacture or distribute food products may be hampered by extreme weather events such as floods and storms. That's why climate change is a material issue for Nestlé, and why our response to climate change across the value chain is a holistic one.**

See also [Manufacturing](#), [Transport and distribution](#), [Sustainable consumption](#), [Waste and recovery](#), [Water](#).

## The need for climate change leadership

### Our commitment



### Provide climate change leadership

Climate change is deeply integrated into our company-wide risk management processes and our commitment to further provide climate change leadership, in which we aim, by 2015, to reduce our direct greenhouse gas (GHG) emissions, per tonne of product, by 35% since 2005, resulting in an absolute reduction of GHG emissions.

Our commitment to providing climate change leadership goes beyond just reducing the air emissions, including GHG emissions, of our operations, and those associated with the [production](#) and [distribution](#) of our products. It also includes responsible [water stewardship](#); striving for [zero waste](#); using energy and resources efficiently; switching to cleaner fuels; investing in and utilising sustainably managed renewable energy sources; optimising distribution networks; and helping adapt agricultural and production systems to the changing climate.

We also work with farmers to share scientific data on climate change to help them mitigate risk, and we help [consumers](#) reduce their energy consumption and emissions when they prepare our products.

## Caring for Climate

As part of the company's long-standing efforts to provide climate change leadership, Nestlé has recently endorsed a major climate change initiative, [Caring for Climate](#). The world's largest global coalition on climate issues is led by the UN Global Compact, United Nations Environment Programme and United Nations Framework Convention on Climate Change.

By supporting the [Caring for Climate Business Leadership Platform](#), Nestlé commits to renew its efforts to improve energy efficiency, reduce the GHG emissions of its products, set voluntary targets and publicly report on progress in the spirit of continuous improvement, as well as support related initiatives by other leading international organisations such as the Carbon Disclosure Project (CDP).



This initiative [Caring for Climate] is fully aligned with our own explicit commitments, which reflect our respect for society in which we operate, respect for the environment and respect for the future generations."

**Paul Bulcke, CEO, Nestlé**

## Other climate action initiatives

At the UN Climate Summit in New York on 23 September 2014, where hundreds of world leaders from government, finance, business and civil society – including José Lopez, Nestlé's Executive Vice President and Head of Operations – gathered to galvanise and catalyse climate action, Nestlé announced its endorsement of the CDP's [six climate action initiatives](#), thereby committing to:

- Adopt evidence-based GHG emissions reduction targets that will help limit global warming to below 2°C, aided by the 'Mind the Science, Mind the Gap' methodology developed by CDP, UN Global Compact, the World Resources Institute and the WWF;
- Having a strategy to procure 100% of electricity from renewable sources within the shortest practical timescale;
- Removing commodity-driven deforestation from all supply chains;
- Providing climate change information in mainstream corporate filings;
- Responsibly engaging policy makers on climate change policy; and
- Putting a price on carbon.

<sup>24</sup> [http://climate.nasa.gov/climate\\_resources/24/](http://climate.nasa.gov/climate_resources/24/)



We have started piloting the 'Mind the Science, Mind the Gap' methodology to set science-based GHG reduction targets.

We already provide climate change information in mainstream corporate filings and reports, in conformance with the Climate Disclosure Standards Board (CDSB) [Climate Change Reporting Framework](#) requirements. We have also conducted a gap analysis of how this report meets our commitment to [re-sponsible corporate engagement on climate change policy](#), and developed an action plan to find the best way to meet the requirement and communicate on progress.

With the UN climate change talks in Paris in 2015 providing a major opportunity to secure global agreement on a net zero emissions goal, we also signed the [Trillion Tonne Communiqué](#) of the Prince of Wales's Corporate Leaders Group. With the CDP and others acknowledging that global average warming should be stabilised below 2°C to minimise the risks of the worst impacts of climate change, the [Intergovernmental Panel on Climate Change \(IPCC\)](#) reports that this goal equates to a cumulative amount of around one trillion tonnes of carbon from man-made CO<sub>2</sub> emissions. More than half of this has been emitted already, with the annual rate of emissions putting us on a trajectory to pass the trillion tonne mark in [less than 30 years](#).

Only a rapid and focused response aimed at a transition to a net-zero emission economy can avoid this, and the Communiqué is a call from business for a policy response from governments to set a timeline for achieving net zero emissions; design

### Greenhouse gas emissions and water use assessments

*Energising the drops: Towards a Holistic Approach to Carbon and Water Footprint Assessments* provides guidance for governments and businesses on how to manage their climate and water impacts simultaneously, both locally and globally. The white paper was prepared by sustainability consultants Antithesis and the Water Footprint Network, with input from Nestlé and other companies.

We have embraced new technologies, such as using spent coffee grounds as a clean source of renewable energy and advanced filtration systems to recycle water within our factories, especially in regions where water is scarce. To manufacture one kilogramme of products today, Nestlé now uses half the water we used 10 years ago and emits almost half the greenhouse gases.



This more holistic approach, combining climate change and water impacts, enhances the quality of the assessment and provides a more robust basis for decision-making; biodiversity impacts will also have to be considered in the future."

**Pascal Gréverath, Head of Environmental Sustainability, Nestlé**

a credible strategy to transform the energy system to match a net-zero ambition; and create a plan for capturing and storing the emissions from fossil fuels.

- Read a [Washington Post](#) interview with José Lopez, in which he talks about what sustainability means for Nestlé.
- Read our 'Ask Nestlé' Q&A for more information on what we're doing about [climate change](#).

### Reporting

Scope 3 emissions are all of the indirect emissions that occur in a company's value chain, including both upstream and downstream emissions. We use the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard to estimate our GHG emissions in our upstream and downstream operations.

In 2013, we fine-tuned and enhanced the reporting of our Scope 3 emissions under the Protocol, to cover all relevant stages of the life cycle. We now include fuel and energy-related activities (not included in Scopes 1 or 2), business travel, employees' commuting, upstream and downstream transportation and distribution, use of sold products, and the end-of-life treatment of sold products.

We also engage with key suppliers to obtain detailed information on their emission-generating activities, and help them implement less GHG-intensive practices.

Our detailed reporting of Scope 3 emissions can be found on pages 123–135 of our [2014 CDP submission](#).

In line with our broader Scope 3 emissions reporting, we will continue to extend our GHG reduction efforts beyond our direct manufacturing emissions.

## Reducing GHG emissions

### Our objective

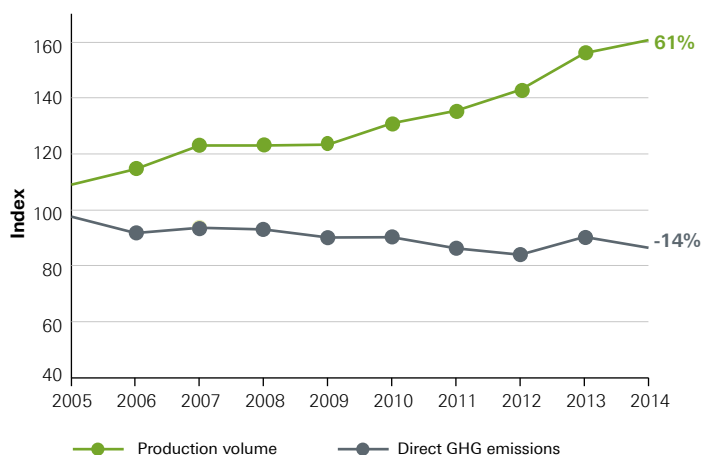
**By 2015** – To contribute to greenhouse gas (GHG) emission reduction, we will reduce our direct GHG emissions per tonne of product by 35% since 2005, resulting in an absolute reduction of GHG emissions.

### Direct emissions

By investing in renewable sources, improving energy efficiency and switching to cleaner fuels, we reduced total direct GHG emissions by 4% last year, to 3.8 million tonnes of CO<sub>2</sub>eq. That represents a 13.5% reduction since 2004; in the same period, production volume has risen by 61.2%.

This means that, by the end of 2014, we have reduced our direct GHG emissions per tonne of product by 40% since 2005, achieving an 11.4% absolute reduction and taking us 5% ahead of our 2015 target. Having met our initial target ahead of schedule, we must now maintain our progress in this area.

## Direct GHG emissions versus production volume, 2005–2014



### Direct GHG emissions (million tonnes of CO<sub>2</sub>eq)

2014	3.8
2013	4.0
2012	3.7

### Direct GHG emissions per tonne of product (kg of CO<sub>2</sub>eq)

2014	71
2013	76
2012	78

## Indirect GHG emissions

Greenhouse gas emissions arise from the generation of electricity, hot water and steam purchased by Nestlé or otherwise brought within our organisational boundaries, and physically occur at the facility where the electricity, hot water or steam is generated. Typically, publicly available country-specific default factors are used to calculate this from the purchased energy quantities. This indicator corresponds to Scope 2 of the WRI/WBCSD GHG Protocol.

In 2014, our indirect GHG emissions, derived from purchased energy, remained unchanged at 3.8 million tonnes of CO<sub>2</sub>eq.

Despite a 10.5% increase in our use of renewable electricity from 2013 to 2014, the indirect GHG emission rate per tonne of product decreased by 3.3% to 71 kg of CO<sub>2</sub>eq. This is mainly due to our growth in China where coal is commonly used to produce electricity.

### Indirect GHG emissions (million tonnes of CO<sub>2</sub>eq)

2014	3.8
2013	3.8
2012	3.4

### Indirect GHG emissions per tonne of product (kg of CO<sub>2</sub>eq)

2014	71
2013	73
2012	71

## Switching to cleaner fuels

To target the reduction of GHG emissions from our direct operations, we place an emphasis on increasing our use of cleaner fuels, and investing in renewable energy sources such as spent coffee grounds, wood from sustainably managed forests, and solar and wind energy.

Renewable energy currently accounts for 14.7% of total on-site energy consumption of our factories (2013: 13.3%).

Spent coffee grounds represent 24% of our renewable energy mix, compared with 27.4% for wood, and we purchase an estimated 24.1% of our electricity (6.6 PJ) from renewable sources (compared to 20.9 PJ from non-renewable sources).

### Total on-site energy consumption (PJ)

2014	95.8
2013	97.7
2012	90.7

### Total on-site energy consumption from renewable sources (% total)

2014	14.7
2013	13.3 <sup>25</sup>
2012	12.2

<sup>25</sup> 2013 data restated due to some of our large joint ventures reporting environmental data for the first time in 2013 but not having material consumption data available at the time.



### Protecting Latin American forests with biodigestion

In 2014, Nestlé invested CHF 24 750 in providing 15 small live-stock farmers in Panama with biodigesters that turn animal waste into gas for cooking and liquid fertiliser. The digesters take care of manure waste, avoiding environmental pollution. GHG emissions are cut by providing a more sustainable energy source, and the farmer no longer needs to rely on wood for fuel, reducing deforestation in the surrounding areas.

We continue to develop ways of using spent coffee grounds, wood chips, wind, solar and hydroelectric power as renewable energy sources. Below are some examples of our recent renewable energy initiatives:

- The Toluca coffee plant near Mexico City was the first in the country with the technology to create steam from biomass. The atmospheric fluid bed boiler, operational since 2012, has reduced GHG emissions by 23%, created a sustainably managed use for around 54 000 tonnes of spent coffee grounds each year, and means that over half of the factory's steam requirements come from a renewable energy source. The technology also reduces the factory's reliance on natural gas, and is helping it comply with potentially tighter emission regulations in the future;
- We've facilitated a three-year partnership with the Humanist Institute for Development Cooperation (HIVOS), which helps dairy co-operatives in the East Java milk district of Indonesia to use biogas units to convert methane from cattle manure into useable energy;
- In a project launched in Switzerland in 2013, the natural heat created by the source of our mineral water brand *Cristalp*, which emerges from the ground at 25°C, is used to provide heat to the bottled water factory and local municipal buildings. The *Cristalp* factory has been running on 100% renewable energy since October 2014, a first for Nestlé Waters; and
- *Nespresso* capsules are recycled in 30 countries but the La Coulette recycling centre near Lausanne in Switzerland is the only place where the spent coffee grounds are combined with organic matter (such as food waste) to make a fertiliser for vineyards. Owners on the shores of Lake Geneva use the fertiliser to increase the nitrogen in their soil and to prevent erosion.

### Coffee Waste-to-Resource project

In the production of *Nescafé* at our Cagayan de Oro factory in the Philippines, about half the coffee beans used to go into the final product but the rest remained as unused coffee grounds. With a production of 1 000 tonnes of coffee grounds per month, a recovery option for coffee grounds was an opportunity to maximise their value, and optimise cost and environmental performance.

To seize this opportunity, Nestlé started a project to use coffee grounds as a resource. The scheme, which became fully operational in 2012, has two components. The coffee grounds, along with sawdust and cocoa shells from local industries, are used to produce steam; this is used for heating, reducing the need for non-renewable fossil fuels. In addition, production ash, a by-product of the process, is now combined with the sludge generated by the factory's wastewater treatment facility and turned into an organic fertiliser.

Using the factory's by-products as a resource has environmental, social and economic benefits, including:

- Annual savings in waste hauling and dumping costs;
- A 99% reduction of particulate matter and 300 tonnes of avoided SOx emissions;
- 70 000 tonnes less waste a year (for Nestlé and nearby companies); and
- 6 750 local farmers getting free organic fertiliser to improve soil fertility and increase yields.

As a result of this initiative, Nestlé won three awards at the Sustainable Business Awards Philippines in July 2014, in the Waste and Materials Productivity, Water Management and Supply Chain Management categories.

The next steps are to extend the project to the Lipa Integrated Coffee Center on Luzon Island, increase the nutrient content of the compost by adding milk by-products from the factory, and extend the composting approach to other commodities and factories.

### A chocolate factory powered by chocolate

In the UK, Nestlé has committed to develop a 'low carbon and renewable energy' manufacturing site by 2015, and our confectionery factory in Fawdon was selected. Through a CHF 4.9 million investment, a state-of-the-art anaerobic digestion plant was installed to break down food waste and harness the end results. The waste – including misshapen chocolate as well as leftover ingredients such as sugar and starch – is melted and left to rot in an airtight tank. This creates methane, which is used to generate electricity.

This process produces nearly 8% of the energy the plant needs and avoids 4 000 kg of solid waste a day. Over CHF 1 million in effluent charges and electricity tariffs have also been saved, as well as 1 000 tonnes of carbon.

The project – in operation since early 2014 – has helped the Fawdon factory progress to be a finalist in the European Commission's European Business Awards for Environment.



## Using natural refrigerants

### Our objective

**By 2014** – Expand the use of natural refrigerants, which do not harm the ozone layer and have a negligible impact on climate change, in our industrial refrigeration systems.

We use industrial refrigeration in our factories, which represents 90% of our refrigeration use, and small-scale units such as commercial ice cream freezers at point-of-sale.

Refrigeration fluids based on hydrofluorocarbons (HFCs) are widely used throughout industry but are known to contribute to climate change. However, non-HFC refrigerants – natural alternatives including carbon dioxide, ammonia, water and air, and hydrocarbons (HCs) such as propane and iso-butane – do not harm the ozone layer and have negligible or no global warming effects; they can also consume 50% less energy than earlier models and are more efficient for customers to run.

We have committed to progressively phase out the use of high global warming potential refrigerants such as HFCs and investigate the potential use of natural alternatives. This has included assessing the safety risk of HC refrigerants, the results of which were published in the [International Journal of Refrigeration](#). Investigations such as these have enabled us to commit to phase out some HFC refrigerants and introduce natural refrigeration ahead of timescales imposed by regulation, and outlined in initiatives such as the [Consumer Goods Forum \(CGF\) Resolution on Refrigeration](#).

We continue to phase out synthetic refrigerants with high global warming and ozone-depleting potential, and invested CHF 262 million (2013: CHF 250 million) since 1992 to replace synthetic refrigerants with natural alternatives in more than 92% (2013: 93%) of our industrial refrigeration systems. This slight decrease is due to some divestitures of installations using natural refrigerants.

### Industrial refrigeration systems using natural refrigerants (%)

<b>2014</b>	<b>92</b>
2013	93
2012	92

## Ice cream chest freezers

### Our objective

**By 2015** – All of our new ice cream chest freezers will use natural refrigerants.

We have been systematically introducing more environmentally efficient refrigeration across Europe that uses natural refrigerants. This and other actions move us beyond meeting the Consumer Goods Forum (CGF) Resolution on Refrigeration, which encourages businesses to take action towards phasing out some HFC refrigerants from 2015.

We pledged, in November 2013, to only use natural refrigerants in all new commercial horizontal ice cream chest freezers bought by Nestlé across Europe and from January 2015, such freezers, which represent 70% of Nestlé's total spend on freezers, will use natural refrigerants.

Challenges remain in deploying the natural refrigerant systems universally. As the CGF recognises: "Barriers exist to wide-scale adoption of more climate-friendly refrigeration, namely legislative restrictions in some countries, availability, cost, safety, maintenance and servicing." To help overcome such challenges, we continue to work with major equipment suppliers and organisations to test and monitor different refrigerants in various applications.



Nestlé committed to buying only new horizontal ice cream chest freezers with natural refrigerants in Europe in 2013; now, we're making this pledge global. This is the second stage in a wider process of making our entire fleet of freezers more environmentally efficient, cooled using natural refrigerants."

**Pascal Gréverath, Head of Environmental Sustainability, Nestlé**



## Climate change adaptation

We are only part of the solution; business can play a role, but more needs to be done at a wider, collaborative level. So increasingly, we are helping our stakeholders adapt to climate change – both to support their livelihoods and the environment, and to reduce the risk to the long-term supply of materials for our business.

We are especially committed to helping farmers adapt to climate impacts and become more resilient so they can continue to grow crops in the face of changing patterns of agricultural production. Our work to help [cocoa](#) and [coffee farmers](#) adapt to environmental challenges has been recognised as an example of best practice by the [United Nations Framework Convention on Climate Change \(UNFCCC\)](#), and we were invited to share details of the agricultural assistance we provide as part of the [UNFCCC Adaptation Private Sector Initiative](#). We provided case studies on private sector engagement as part of an online tool that showcases how businesses and communities can adapt to the effects of climate change in a sustainable way (see an example [here](#)).

After the extended drought of 2008–2010, which was followed by flooding rains, Nestlé Australia set up a four-year social resilience project in collaboration with the Birchip Cropping Group to understand how wheat and sheep farm businesses in northwest Victoria identify, interpret and respond to climate challenges. And in Venezuela, we are helping farmers provide natural shading for livestock, while at the same time controlling soil erosion and preserving water.

According to the Food and Agriculture Organization (FAO), to adapt to climate change, farmers will need to broaden their crop genetic base and use new cultivars and crop varieties. We use our [scientific expertise and resources](#) to help improve crop resilience. In the framework of the Nescafé Plan and the Nestlé Cocoa plan, our R&D centre in Tours, France, works with its sister R&D centre in Abidjan, Côte d'Ivoire, and other research institutes to produce drought-resistant varieties and large quantities of cocoa and coffee plantlets that are less vulnerable to disease, once they reach full productivity. Their yield is potentially greater than that of most trees currently planted in the cocoa and coffee farms.

## Public policy engagement

We believe that the need to act on climate adaptation is a pre-competitive issue requiring multi-stakeholder collaboration, both directly with governments and through industry groups such as The Consumer Goods Forum, UNFCCC, FoodDrinkEurope, UNEP FAO and WBCSD. There is an increased need for the industry associations we belong to or support to 'speak with one voice', reflecting the risks that climate change may present to our sector.

Examples of our recent engagement activities include:

- Through the [Sustainable Agriculture Initiative at Nestlé](#), coordinated by our Agriculture department, we share best practice and lessons learned across our own business and externally;

- Our Agriculture staff also represent us in the [SAI Platform](#), a food industry partnership that aims to support the development of sustainable agriculture worldwide; and
- We actively participated in the [UN Climate Summit](#) in New York.

## Nespresso agro-forestry programme

Through the *Nespresso* AAA Sustainable Quality™ Program, *Nespresso* and Rainforest Alliance have been making coffee production more sustainable and improving farm ecosystems for more than 10 years. Having cut its greenhouse gas emissions per cup of coffee by 20% since 2009, coffee agriculture represents the next major opportunity for *Nespresso* to reduce its emissions yet further.

The planting of trees offers a way for the company to compensate the carbon footprint within its own value chain. This approach, known as *insetting*<sup>26</sup>, involves the planting of trees in and around the AAA coffee farms. The programme, run in collaboration with Rainforest Alliance and Pur Projet, also offers farmers personalised technical assistance, free locally produced plantlets and a cash incentive for each tree planted.

Agro-forestry strengthens the resilience of coffee-farming areas to the threats of climate change and environmental degradation, and addresses the landscape impacts of growing coffee. The trees not only capture carbon to help compensate emissions; they also interact with crops, creating more diverse, productive and profitable land use systems.

- Ultimately, the programme will help:
- Protect natural ecosystems and preserve biodiversity;
- Regulate water availability by limiting evaporation and soil erosion;
- Improve water quality, reduce soil pollution and enhance soil fertility;
- Absorb carbon from the air;
- Generate economic benefits for farmers through crop diversification and carbon certification; and
- Support the production of shade-grown coffees required for *Nespresso's* Grands Crus.

In 2014, *Nespresso* began a pilot project in the Huehuetenango AAA cluster in Guatemala, which is 100% Rainforest Alliance certified. Two technicians have been providing on-the-ground assistance to around 150 farmers, who have received 50 000 timber and fruit trees. The trial has since been extended to provide 80 000 trees to 150–200 farmers in the Cauca region of Colombia.

Building on the lessons learned from these trials, the programme will be rolled out more widely, with 10 million trees being planted in the AAA value chain by 2020.

<sup>26</sup> Unlike 'offsetting' traditional carbon compensation, where compensation takes place in a different location using unrelated actors and activities, 'insetting' integrates socio-environmental commitments at the heart of the company's business activities and networks.



# Protecting and enhancing biodiversity

**We depend on biodiversity – the variability among living organisms, which includes the diversity at ecosystem, species and genetic levels<sup>27</sup> – in many ways, but especially for the raw materials we source from farms, forests and the oceans. We are committed to managing our operations in a way that safeguards all natural capital, including forests, biodiversity and ecosystem services. We take a proactive role in tackling deforestation, and seek to identify Important Water Areas<sup>28</sup> with high biodiversity value that our factories are adjacent to, so that we help safeguard these vital areas of biodiversity.**

 **See also** [Water](#), [Responsible sourcing](#)

## Preserving natural capital

### Our commitment



**Preserve natural capital, including forests**

Natural capital is the sum total of nature's resources and services, and it is the basis upon which economic activity is built. We procure a large range of raw materials from farms and forests, and recognise our long-term success depends on the products and services provided by natural capital. We know agricultural and forestry practices are a major contributor to the loss of natural capital – particularly through the conversion of natural habitats, overuse of chemicals and water, and degradation of soil – so we aim to develop our business in a way that safeguards natural capital, and in particular biodiversity and ecosystem services.

In our [Nestlé Commitment on Natural Capital](#), we explicitly commit to act as a responsible steward of natural capital; report on risks and responses; support consumers to make better-informed choices; and work with stakeholders.

### Launch of Global Forest Watch

Nestlé supports [Global Forest Watch](#) (GFW), an online transparent mapping application providing data about what is happening in forests worldwide. GFW is intended for use by stakeholders in the world's forests who seek to better manage forests and improve local livelihoods. This application permits companies to know exactly what is happening in their supply chains without physically being on the ground, and to see and address who might be contributing to deforestation among their suppliers by mapping global hotspots. This initiative is part of the commitments made in 2010 in favour of tracking the source of our products.

### Our objective

**By 2015** – Improvement programmes are taking place for all factories adjacent to Important Water Areas to improve our impacts on the surrounding area.

### Assessing our priorities

We are keen to develop a 'balance sheet' approach to natural capital. We recognise the need to safeguard biodiversity and ecosystem services at the same time as we rely upon them. A key element of this is to better understand how to value the consequences of our activities throughout the value chain, especially where we are only one actor among many in a landscape. As a first step, we have estimated the land area that Nestlé is dependent upon for the production of commodities that it uses: about twice the area of Switzerland.

We have also compiled a list of priority issues and dependencies, drawing from a wide range of research from organisations such as the International Union for Conservation of Nature (IUCN), FAO, the Convention on Biological Diversity (CBD), UNEP and the WWF. Understanding our dependencies on biodiversity in this way helps us decide where best to focus our activities:

<sup>27</sup> UN Convention on Biological Diversity definition.

<sup>28</sup> Water-related areas of a catchment that are legally protected or under a conservation agreement which, if impaired or lost, could adversely impact the environmental, social, cultural or economic benefits derived from the catchment in a significant or disproportionate manner.

Safeguarding natural capital			
Ecosystem	Issues	Nestlé dependency	Nestlé response
<b>Forest</b>	<ul style="list-style-type: none"> <li>Deforestation; forest degradation</li> </ul>	<ul style="list-style-type: none"> <li>Packaging, paper, timber pallets, palm oil, soya</li> </ul>	<ul style="list-style-type: none"> <li>A comprehensive commitment to manage forests well and eliminate deforestation through programmes across the relevant commodities. <a href="#">Read more on deforestation.</a></li> </ul>
<b>Ocean</b>	<ul style="list-style-type: none"> <li>Overfishing; acidification; warming; nutrients/dead zones; plastics</li> </ul>	<ul style="list-style-type: none"> <li>Seafood</li> </ul>	<ul style="list-style-type: none"> <li>Responsible Sourcing Guideline on seafood. Plastic recycling schemes. Good practices on fertiliser application through the Nescafé Plan. <a href="#">Read more on responsible sourcing.</a></li> </ul>
<b>Fresh water</b>	<ul style="list-style-type: none"> <li>Water scarcity/over-extraction; water pollution</li> </ul>	<ul style="list-style-type: none"> <li>Every stage of our value chain depends upon access to fresh water</li> </ul>	<ul style="list-style-type: none"> <li>A comprehensive set of commitments and key performance indicators on water across supply chains, factories and public policy. <a href="#">Read more on water.</a></li> </ul>
<b>Grasslands</b>	<ul style="list-style-type: none"> <li>Loss of high-value grasslands/biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture, grazing (milk, meat)</li> </ul>	<ul style="list-style-type: none"> <li>Application of the High Conservation Value approach to responsible land management and sourcing, plus restoration through silvopastoral programmes at dairy farm level.</li> </ul>
<b>Atmosphere</b>	<ul style="list-style-type: none"> <li>Increasing temperature; pollutants; ozone layer depletion</li> </ul>	<ul style="list-style-type: none"> <li>Stable climate, reliable precipitation, temperature</li> </ul>	<ul style="list-style-type: none"> <li>Emission reduction initiatives in factories and use of natural refrigeration units. <a href="#">Read more on manufacturing.</a></li> <li>Tackling deforestation/high-carbon soils, and facilitating dairy farmer investment in biogas digesters.</li> </ul>
<b>Soil</b>	<ul style="list-style-type: none"> <li>Soil loss and degradation; increasing salinity</li> </ul>	<ul style="list-style-type: none"> <li>All our agricultural crops rely upon soil with adequate structure and nutrients</li> </ul>	<ul style="list-style-type: none"> <li>Included as part of our Responsible Sourcing Guideline on palm oil, soya, sugar, plus UTZ certification of cocoa. <a href="#">Read more on responsible sourcing.</a></li> </ul>

As detailed in the following pages, we believe we can have the greatest positive impact in three key areas:

- Sourcing raw materials ([see below](#));
- [Improving our factories](#); and
- [Supporting public policy](#).

### Sourcing raw materials

We continue to implement our Responsible Sourcing Guideline (RSG) in the supply chains of our 12 priority categories – palm oil; pulp and paper; soya; sugar; cocoa; coffee; dairy; vanilla; hazelnuts; shea; meat, poultry and eggs; and fish and seafood – and our work on the direct sourcing of milk and coffee in particular.

The suppliers of these materials are already subject to our Corporate Business Principles and Supplier Code. But through the RSG, we are now incorporating performance requirements on the use and management of water and soil, the maintenance and enhancement of biodiversity, the elimination of deforestation and the identification and protection of High Conservation Value areas in the supply chains of 12 priority categories.

We are aiming to have assessed 30% of the volume of these priority categories against our RSG, and for them to be compliant or have improvement plans ongoing, by 2015 (see [Raw materials](#)). Currently, 28% (2013: 9%) of the volume of our priority categories is Responsibly Sourced in accordance with our Responsible Sourcing Guideline requirements. Read more on [Responsible sourcing](#).

### Watercourse protection

We have produced detailed requirements for water use in agriculture that are now being used in our Responsible Sourcing Guideline to guide better water stewardship at the farm level. These requirements are based on the [SAI Platform's water guidelines](#), but also include current thinking from the major agricultural commodity certification schemes and the [Alliance for Water Stewardship standard](#).

 **Read more about our [water stewardship](#).**

### Raw materials and deforestation

The destruction of tropical rainforests and associated peatlands adds to biodiversity loss and is contributing to social and land conflicts. We're committed to ensuring that the raw and packaging materials we source have not led to deforestation.

We have taken a proactive role in tackling deforestation, particularly in the [responsible sourcing](#) of palm oil, through our work to drive traceability, our work directly with suppliers and our support for the goal of the [Consumer Goods Forum \(CGF\)](#) to mobilise resources within our respective businesses to help achieve zero net deforestation by 2020. We also assisted the CGF in setting up the [Tropical Forest Alliance 2020](#), a public-private partnership between the CGF and the governments of the USA, United Kingdom, Norway and the Netherlands that aims to reduce tropical deforestation associated with key global commodities.

Nestlé has also backed the New York Declaration on Forests, whose vision is to halt and reverse the loss of forests, and participated in various conferences and events to raise awareness, seek solutions and develop collaborative efforts across different sectors to tackle deforestation in key locations such as Africa, South East Asia and Latin America.

In our own [Commitment on Deforestation and Forest Stewardship](#), we pledge that our products will not be associated with deforestation. This covers all the raw materials we use to make our products, and also packaging. Our [Responsible Sourcing Guideline Framework for Forest-Based Materials](#) has been developed to help procurement staff and suppliers implement our commitment.

Three categories of raw material are central to our 'no deforestation' commitment, as they are considered to have the highest impact on deforestation and forest stewardship: [palm oil](#), [soya](#), and [pulp and paper](#). Our approach to the challenge remains the same for all three: to work with suppliers and partners to map our supply chains back to the origin, then assess and develop our suppliers against our [Responsible Sourcing Guideline](#). Other commodities including meat and dairy products, cocoa, coffee and cassava are also problematic in some places, and are being tackled accordingly country by country.

In addition, in our [Commitment on Biofuels](#), we raise awareness of the risks to forests, water and food supplies resulting from conversion to growing biofuel crops.

### Deforestation Guides for Commodity Sourcing

Getting consistent global data sources to guide our activities is often difficult so where appropriate, we work with partners to source credible information and share the results.

For example, in 2013, in partnership with Conservation International, we launched the [Deforestation Guides for Commodity Sourcing](#) for 33 countries. The publicly available guides use data from satellites to assess deforestation rates and identify forest areas at greatest risk. This is vital information that is being used to:

- Highlight where Nestlé's acquisition of raw materials might potentially add to the risk;
- Focus our efforts to eliminate deforestation through our procurement programmes and implementation of our Responsible Sourcing Guideline; and
- Drive alignment among businesses, governments and civil society.

If we find a risk, we focus our [Responsible Sourcing activities](#) on that part of the supply chain, and take the necessary steps to address the problem.

Over the last few years, we've made good progress in establishing traceability along supply chains. We have reasonably good data about deforestation in many countries, but in others, including Ethiopia, Honduras and Papua New Guinea, it's been difficult to track the situation accurately. Satellite mapping can now help us do this.

Having made the maps available to the general public, our competitors and others in our supply chain, we hope that more businesses, governments and other organisations will use them and the information they contain.

## Improving biodiversity through direct sourcing

For our [Farmer Connect activities](#), sourcing milk and coffee from more than half a million farmers, we take a more hands-on approach to assessing impacts and influencing behaviours to protect biodiversity at the farm level:

<a href="#">Milk</a>	<ul style="list-style-type: none"> <li>Our 2010 survey of factories revealed that our dairy factories and the surrounding milk districts are often close to protected areas and areas of high biodiversity. This is applicable to operations in Brazil, China, Ecuador, Nicaragua, Peru, the Philippines and South Africa. Using <a href="#">RISE</a>, our assessment and action planning tool, we are working with dairy farmers to review their methods and develop action plans for economic, social and environmental improvements. RISE studies have been completed on 92 farms in six dairy markets, one coffee market, and one cocoa market.</li> </ul>
<a href="#">Coffee</a>	<ul style="list-style-type: none"> <li>Biodiversity issues are managed primarily through the 4C Coffee Code, the <i>Nespresso</i> AAA Sustainability Quality™ Program and the Nescafé Plan, which, in partnership with Rainforest Action Network, has developed better farming practices. These initiatives include safeguards against sourcing from protected areas, restrictions on pesticide use, soil conservation and watercourse protection.</li> </ul>

## Improving biodiversity through silvopasture

Silvopasture is the practice of combining forestry and grazing of domesticated animals in a mutually beneficial way. The advantages of a properly managed silvopasture system are enhanced soil protection and increased long-term income resulting from the simultaneous production of trees and grazing animals.

We continue to help farmers implement silvopastoral systems, planting different species of trees, hedges and shrubs on the pasture land to improve biodiversity and yields. Nestlé Nicaragua has recently helped 10 pilot farms implement silvopastoral systems.

## Improvement programmes at our factories


All factories operate according to our [Nestlé Environmental Management System](#), and 621 of all Nestlé sites are certified to the ISO 14001:2004 standard (2013: 601). This gives us a solid foundation for developing initiatives with local authorities and other stakeholders to manage our operations, improve performance and enhance biodiversity where our factories are located in legally protected areas and Important Water Areas<sup>29</sup>.

We have developed our understanding of the relationship between our factories and the biodiversity around them, focusing on the inter-relationship between water and biodiversity, and identified those factories where we have either a dependency, or a potential impact, on Important Water Areas. We continue to identify improvement programmes at those factories adjacent to Important Water Areas and will report on progress next year.

To find out which of our factories were in areas of high biodiversity or protected areas, we embarked on a project with the UNEP World Conservation Monitoring Centre in 2013. The resulting database highlights 60<sup>30</sup> factories where high biodiversity risk has been identified and where we will focus our future actions to safeguard the natural environments that we depend on. ([See map on page 194.](#))

We have planted wildflower meadows at five UK sites to develop natural habitats and increase biodiversity, and plan to have them at all 13 of our UK factories by 2015. The meadows are designed to attract a variety of wildlife, including pollinators such as butterflies, bees and birds that are integral to the food supply chain.

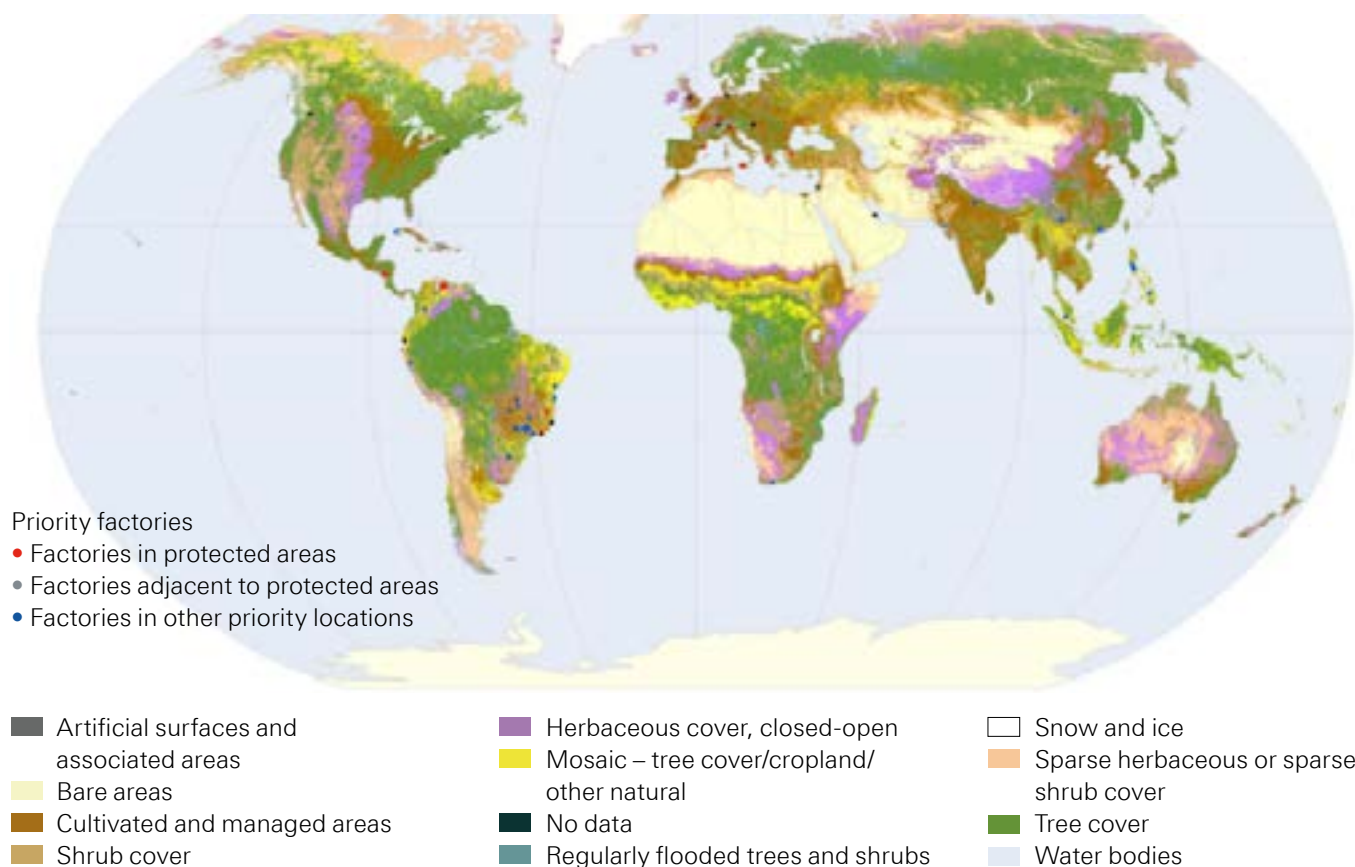
Meanwhile, the My Tree Community saw employees at our Kejayan factory in Indonesia purchase and plant more than 1 000 locally sourced trees on factory premises and in the surrounding community in 2013, and 1 000 more in 2014.

 See [Water](#) for more information.

<sup>29</sup> Water-related areas of a catchment that are legally protected or under a conservation agreement which, if impaired or lost, could adversely impact the environmental, social, cultural or economic benefits derived from the catchment in a significant or disproportionate manner.

<sup>30</sup> Based on UNEP-WCMC 2011 analysis

## Nestlé factories and biodiversity status



### Supporting public policy

Nestlé is a signatory to the [Natural Capital Leadership Compact](#), launched by the Cambridge Institute for Sustainability Leadership (CISL)<sup>31</sup> in 2012.

We also continue to be an active member of the Cambridge [Natural Capital Leaders Platform](#), a major business-led programme focusing on practical evidence, action and policy influence. The cross-sectoral platform addresses the impacts of ecosystems and natural capital loss and degradation on businesses, their customers and wider society.

During 2014, we continued our membership of the Platform, helping guide the development of the next three-year phase of that work.

We are also participants in two consortia developing a Natural Capital Protocol and on the board of the WBCSD's [Redefining Value](#) work programme.

31 Formerly the Cambridge Programme for Sustainability Leadership (CPSL).





# Human rights and compliance

Our behaviour as a company must not only follow national laws and international business standards but actively reinforce them. By respecting and upholding the principles established by the global business community, and through the continuous and consistent application of our own standards, Nestlé is in a strong position to have a positive impact on those who we affect. We cannot claim to be perfect, and there is always much more work to be done. Our efforts to create shared value through ethical business practices are outlined in this chapter.

## The year in brief

### 2014 highlights

#### Speech by CEO Paul Bulcke

delivered at the UN Annual Forum on Business and Human Rights in Geneva in December 2014

#### Human Rights & Rural Development Roundtable

organised by Nestlé and The Danish Institute for Human Rights in London in April 2014

#### Nestlé Stakeholder Convenings

integrated human rights into its discussions in London (April 2014) and Jakarta (December 2014)

616

cases of child labour remediated

119

IRS grievances related to human rights, addressed and resolved

97%

manufacturing and R&D sites were certified by the ISO/FSSC 22000

### Challenges

#### Confidentiality and transparency

Our human rights approach must balance the dual needs of confidentiality and transparency while respecting local realities.

#### Child labour

We are addressing the issue of child labour in the harvesting of some of our raw materials. Importantly, we must also understand its root causes, to ensure behavioural change is sustainable.

#### Compliance

Our people, and others we affect, need to understand and use our internal and external compliance tools.

#### Anti-corruption

We need to make sure that our standards are applicable and that our people have the tools they require to prevent and avoid bribery and corruption at all levels.

#### Product quality

In terms of product quality, we must ensure that we meet the same high standards both locally and globally.

### What we are doing

#### Human rights

Through our Human Rights Due Diligence Programme, we continue to make our approach to human rights strategic, comprehensive and unified across all our business activities.

#### Child Labour Monitoring and Remediation System

By the end of 2014, 12 458 farmers and 35 736 community members had been sensitised to child labour as part of the CLMRS.

#### Integrity and grievance reporting

Our internal Integrity Reporting System has been introduced in 98% of the countries where we operate.

Our 'Tell us' external grievance reporting system was launched in 2014, and 8 700 suppliers had been appraised by year-end. And our external compliance (CARE) audits identified 109 gaps, for which corrective actions have been implemented.

#### Anti-corruption

We defined new standards on anti-corruption training, continued to deploy our online courses and developed materials for face-to-face anti-corruption training sessions.

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## Our role in human rights and compliance

The creation of shared value, alongside social and environmental sustainability, can only be achieved through strict compliance with international standards and national laws that respect stakeholder rights, and are founded on our own corporate values and principles. By integrating the highest applicable business standards and codes with our activities throughout the globe, Nestlé strives to be exemplary in meeting high standards all along our value chain – seeking to eliminate child labour; working against corruption and bribery; making it easier to report and address possible compliance violations; and assessing human rights impacts.

Maintaining these high standards across our business activities makes us more effective in our approach to compliance (for example, in our fight against child labour and corruption) while ensuring that human rights, such as workers' freedom of association, local communities' access to water and sanitation, and business ethics issues such as consumer privacy – are respected. Simultaneously, Nestlé is committed to the production of safe products that meet stringent quality requirements, and guaranteeing that these are marketed, advertised and sold responsibly.

### Material issues

In 2014, we engaged SustainAbility, working together with Accenture for a commercial point of view, to quantify and rank our material issues. They were mapped with regard to the degree of importance Nestlé stakeholders place on the issue in different parts of the value chain, and to where financial, operational and reputational impacts would be felt in the value chain.






Each issue is made up of a number of sub-issues, which were highlighted during the research process. The consultancy used the sub-issues as a lens, to define the scope of analysis. In this section, we have provided a synthesis of the findings related to Human Rights and Compliance. [Read more here.](#)

Three material issues fell under the banner of human rights and compliance that were rated as being of concern to our stakeholders and of strategic importance to our business: **business ethics**, which includes consumer privacy; executive compensation; fair tax; governance and transparency; business integrity; and fraud, bribery and corruption; **human rights**, including labour relations as well as issues in the upstream supply chain such as child labour and rights linked to land ownership; and **food safety**.

Upholding ethical principles in our business and supply chain is fundamental to who we are as a responsible business and underpins our licence to operate. Ensuring the highest standards of food safety and quality is essential to maintaining the trust we have built in our business and is fundamental to our business success. Our responsibility to respect human rights across our supply chain is critical to the security and wellbeing of our workforce and suppliers.

Our stakeholders are working to enhance disclosure of tax payments, implementation of anti-corruption measures, appropriate executive compensation and adoption of best food safety practices. They are acutely concerned about human rights and as we advance our work on child labour and land rights, we have an opportunity to collaborate more with our stakeholders.

Investment G4-DMA, Human rights G4-DMA, Freedom of association and collective bargaining G4-DMA, Child labor G4-DMA, G4-HR5, Forced or compulsory labor G4-DMA, Indigenous rights G4-DMA, Supplier human rights assessment G4-DMA, Human rights grievance mechanisms G4-DMA, Anti-corruption G4-DMA, Anti-competitive behaviour G4-DMA, Compliance G4-DMA (Society), Customer health and safety G4-DMA, Customer privacy G4-DMA, Compliance G4-DMA (Product responsibility)

MATERIALITY ISSUE	VALUE CHAIN				
	KEY: <div><div></div> Moderate</div> <div><div></div> Significant</div> <div><div></div> Major</div>				
	<div><div></div><div>Agriculture</div></div>	<div><div></div><div>Tier 1 Suppliers</div></div>	<div><div></div><div>Nestlé</div></div>	<div><div></div><div>Retail/ Business Channels</div></div>	<div><div></div><div>Consumers</div></div>
Business ethics					
Upholding ethical principles in the business and workplace.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
<div>Sub-issues defined</div> <div><ul style="list-style-type: none"><li>• <b>Consumer privacy:</b> The handling and protection of sensitive personal information that individuals provide in the course of everyday transactions with companies.</li><li>• <b>Executive compensation:</b> Fair compensation for executives to reward personal and company performance.</li><li>• <b>Fair taxes:</b> Payment of taxes in accordance with laws and in a way that is proportionate to size and contributes to society.</li><li>• <b>Governance and transparency:</b> Developing structures that enable oversight, accountability and transparency at all levels of the business.</li><li>• <b>Fraud, bribery and corruption:</b> Zero tolerance towards deception, trickery, breach of confidence, abuse of power or an offer of advantage to gain unfair or dishonest advantage.</li></ul></div>					
Human rights					
Promoting respect for the basic rights and freedoms to which all people are entitled.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
<div>Sub-issues defined</div> <div><ul style="list-style-type: none"><li>• <b>Child labour:</b> Employment of children in any work that deprives children of their childhood, interferes with their ability to attend regular school, and that is mentally, physically, socially or morally dangerous and harmful.</li><li>• <b>Labour rights:</b> Respecting labour rights and having positive relations with unionized employee groups and representatives.*</li><li>• <b>Land rights:</b> Acquisition of land and accompanying resources while respecting existing land rights.</li><li>• <b>Human rights in the upstream supply chain:</b> Among Nestlé suppliers, promoting respect for the basic rights and freedoms that all people are entitled to.</li></ul></div> <div><a href="#">*Issue is covered in the chapter on Our People</a></div>					
Food safety					
Ensuring a high quality product and preventing health risks arising from handling, preparation and storage throughout the value chain.	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>

\*Issue is covered in the chapter on Our People

G4-26, G4-27, Supplier human rights assessment G4-DMA, Human rights grievance mechanisms G4-DMA, Anti-corruption G4-DMA, Anti-competitive behaviour G4-DMA, Compliance G4-DMA (Society)

## Our commitments

We shared a number of public commitments in 2012, and continue to publish our progress against them every year. They reflect the material issues of our business and help to shape our strategy for continuous improvement, as follows:

- Assess and address human rights impacts in our operations and supply chain;
- Eliminate child labour in key commodities;
- Work against corruption and bribery; and
- Ensure that all employees and stakeholders can easily report possible compliance violations.

The latter two commitments are being published for the first time in the 2014 CSV report.

In response to [stakeholder feedback](#), we have moved our discussion on our commitments regarding the responsible marketing of breast-milk substitutes and responsible advertising to children to the [Nutrition](#) chapter.

## Governance and management systems

The Chairman, the CEO and other members of the [Executive Board](#) are ultimately responsible for the supervision and management of the Group. They are supported by a number of other governance bodies, including our Group Compliance Committee, which meets bi-monthly and serves as a steering committee for the oversight and coordination of compliance-related activities and initiatives. The committee recommends and implements key compliance initiatives and all relevant functions are represented at a senior level, with minutes of the meetings shared with the CEO.

The role of the committee includes:

- Driving Nestlé's cross-functional compliance programme and key compliance initiatives and continuously enhancing the compliance culture across the Group;
- Providing a platform for internal coordination;
- Receiving briefings on compliance-related initiatives and providing cross-functional input;
- Identifying deviations from best practice and driving the implementation of appropriate action; and
- Driving the implementation of the Nestlé Corporate Business Principles and other policies.

Nestlé's commitment against all forms of corruption or bribery is an integral part of our Code of Business Conduct. Our Human Resources, Legal and Group Compliance departments work together to train employees in the code and monitor behaviour, while each country business leader is responsible for ensuring local compliance.

Anti-corruption is included in the corporate compliance framework, which reports into the Group's Compliance Committee and the Executive Board. Nestlé's commitment to integrity is also exemplified by its adherence as a signatory to the [United Nations Global Compact](#), where Principle 10 requires businesses to work against corruption in all its forms.

We coordinate our approach to human rights through the Nestlé Human Rights Working Group, to strengthen the effectiveness of human rights-related activities and initiatives across the business.

## Our policies and standards

To maintain best practice, our teams are guided by a series of policies, procedures and documents, including:

- [The Nestlé Corporate Business Principles](#);
- [The Nestlé Code of Business Conduct](#);
- [The Nestlé Supplier Code](#);
- [Nestlé's Responsible Sourcing Guideline](#);
- [The Nestlé Quality Policy](#);
- [The Nestlé Commitment on Rural Development](#);
- [The Nestlé Commitment on Land & Land Rights in Agricultural Supply Chains](#); and
- [The Nestlé Commitment on Child Labour in Agricultural Supply Chains](#).

As well as complying with all national laws, we expect all Nestlé business entities to respect internationally recognised human rights standards set out in:

- The eight [International Labour Organization Core Conventions](#);
- The [ILO Tripartite Declaration](#);
- The [International Bill of Human Rights](#);
- The [OECD Guidelines for Multinational Enterprises \(2011\)](#); and
- The [UN Framework and Guiding Principles on Business and Human Rights](#).

## Engagement and collaboration

We recognise that the achievement of our human rights goals is not an aim we can reach alone. For this reason, we maintain strong ties with other organisations to define and shape our human rights efforts.

We organise meetings and conferences with leading bodies in the field, and hold events to discuss our progress with stakeholders twice per year. In terms of child labour, we work closely with the International Cocoa Initiative (ICI) and the Fair Labor Association (FLA) to remediate activities involving the work of children in our supply chains. Furthermore, our efforts internationally were underlined by Nestlé CEO Paul Bulcke, who delivered a keynote speech at the United Nations Annual Forum on Business and Human Rights in Geneva in December 2014.

G4-49, G4-50, G4-57, G4-58, Non-discrimination G4-DMA, Anti-corruption G4-DMA, G4-SO5, Compliance G4-DMA (Society), Grievance mechanisms for impacts on society G4-DMA, Product and service labeling G4-DMA, G4-PR3, G4-PR4, G4-PR7

# Compliance

The [Nestlé Corporate Business Principles](#) reflect our commitment to a strong compliance culture as a non-negotiable foundation of how we do business. Our principles are actionable and we are prepared to do what is necessary to ensure that our company is managed in line with them through both internal reporting and external audits. To help us to improve our performance and business practices, we encourage employees, suppliers and stakeholders to report practices or actions at Nestlé that are believed to be inappropriate or illegal. We properly investigate all complaints with impartiality and we prohibit retaliation for reports made. When a breach is uncovered, we act decisively to put an immediate end to it and take appropriate response measures.

## Reporting of compliance violations

### Our commitment



**Ensure that all employees and stakeholders can easily report possible compliance violations**

We aim to enable all our employees to report any incidents of non-compliance and breaches of the Nestlé Corporate Business Principles, or other Nestlé internal standards.

Encouraging our external stakeholders to actively respect our standards and codes is an important facet of Nestlé's business ethics too, so we're working to make our 'Tell us' reporting system accessible to all external stakeholders.

Our strategy is to gradually expand communications, first as a pilot in countries identified as potential high-risk areas before extending to all countries where Nestlé operates (and where local data protection law allows). Our challenge is to help people to understand our different reporting channels and give them the confidence to use them.

## The Nestlé Integrity Reporting System (internal)

### Our objective

**By 2015** – The Nestlé Integrity Reporting System (Internal Grievance Mechanism) or equivalent will be operational in 100% of Nestlé markets and information made available to employees outlining the steps taken by the company to manage concerns and complaints.

Our people should be vigilant of any illegal or non-compliant activity in their place of work, and are required by our [Code of Business Conduct](#) to report them should such incidents occur. Incidents related to allegations of corruption, bribery, fraud, or any serious incident that may adversely affect the reputation or public image of Nestlé are promptly reported directly to higher levels including the Group General Counsel and Chief Compliance Officer. The Nestlé Integrity Reporting System (IRS) enables our employees to report anonymously, via phone or web message, any illegal or non-compliant behaviour they observe, as well as seeking advice or information on our practices. Nestlé's Reporting of non-Compliance Best Practices document provides guidance on how to handle both the accused person and the complainant during an investigation.

We are continuing to roll out the system across the business, and by the end of 2014, 98% of countries had introduced it, up from 90% in 2013<sup>1</sup>. The system has been well received by our employees and, importantly, there is little indication that it is being abused by complaints made in bad faith.

In 2014, we received more than 920 messages through the Nestlé Integrity Reporting System, covering issues such as leadership style, labour practices, discrimination and harassment (see table below). Out of all the substantiated and unsubstantiated cases presented through this system, 85% were closed, of which over 33% were substantiated, resulting in 30 employees leaving the company, and more than 40 written warnings and other measures being issued, including internal process improvement and reinforcement and the establishment of performance improvement plans. One bribery case was reported, and one employee asking for a benefit from a contractor had their employment terminated.

Area of complaint	Quantity
Leadership style	352 (38%)
Labour practices	211 (23%)
Discrimination and harassment	137 (15%)
Other	222 (24%)
<b>TOTAL</b>	<b>922</b>

<sup>1</sup> Figure includes markets that have other systems in place already fulfilling requirements of the Integrity Reporting System.



G4-49, G4-50, G4-57, G4-58, Environmental grievance mechanisms G4-DMA, Compliance G4-DMA (Environmental), Labor practices grievance mechanisms G4-DMA, Security practices G4-DMA, G4-HR7, Human rights grievance mechanisms G4-DMA, Grievance mechanisms for impacts on society G4-DMA, G4-SO11

In both 2013 and 2014, messages related to leadership style were the most frequent. In response, we initiated an Investigation of Non-Compliance Reports Best Practices across all countries at the end of 2014, and accompanying training material has been developed and provided. Using this communication as a springboard, we have deployed several direct countermeasures, including enhancing awareness of the Integrated Reporting System, investigation guidance, monitoring how complaints are managed and remediation measures.

#### Our objectives

**By 2015** – Scale up our communication about the external grievance system 'Tell us' to 5 000 suppliers and to 1 000 downstream business partners (i.e. distributors) of Nestlé Nutrition products, as well as in first phase countries identified by the company to further promote reporting of non-compliance incidents by all stakeholders.

**By 2016** – Awareness of the existence of confidential reporting lines is enforced across the organisation.

**By 2016** – Continue to scale up the communication about 'Tell us' to suppliers and downstream business partners.

### 'Tell us' – our external compliance to reporting system

In 2014, we launched our 'Tell us' communication channel, specifically designed to give all external stakeholders the opportunity to declare any possible non-compliance incidents against the Nestlé Corporate Business Principles or laws, both internal and external. 'Tell us' is run by Nestlé but is controlled externally and allows stakeholders to report non-compliances confidentially or ask for information on our practices. By the close of 2014, a year after launching, 8 700 Nestlé suppliers have been appraised and informed about 'Tell us' through the implementation of the revised Supplier Code, and the information is also available on our [website](#).

'Tell us', which claimants are able to use through an online form or by calling a toll-free phone number, has already had an impact. The system has been effective for external stakeholders, by reinforcing dialogue with local communities and strengthening our environmental sustainability reporting. 'Tell us' has also been used as part of our efforts in western Turkey to eliminate [child labour in the hazelnut sector](#).

Our goal for 2015 will be to further launch the system with more business partners where Nestlé operates, and to ensure its effective establishment throughout the entire system. The availability of the 'Tell us' system will be further communicated to 15 000 suppliers; to our downstream business partners (such as distributors); and through Nestlé Nutrition. Information on 'Tell us' will be made available on local Nestlé websites in the first phase countries identified by the company, 10 of which will form an initial pilot.

### 'Tell us' 2014 (January 2015) complaints received

Complaints from	Quantity
Supplier	9
Consumer, other stakeholder and employee	48
General questions	19
Test/empty messages	11
<b>TOTAL</b>	<b>87</b>

Zone	Quantity
Americas	24
Asia Oceania Africa	30
Europe	9
Undisclosed	24
<b>TOTAL</b>	<b>87</b>

All complaints received are being addressed. The majority were product related complaints from consumers.

### The CARE audit programme

Our global external CARE audit programme verifies that all our employees, and all sites owned or operated by Nestlé, comply with local legislation, our Corporate Business Principles and our Code of Business Conduct. In 2014, we carried out 120 CARE audits across Nestlé, taking our cumulative total to 1 957 audits since 2005.

The audits, which take place every three years, are performed by three leading independent audit companies: [SGS](#), [Bureau Veritas](#) and [Intertek](#). In 2014, the focus was placed on the continuation of an audit questionnaire launched at the end of 2012. Where necessary, we introduce detailed action plans that are thoroughly and systematically monitored.

The findings are classified in three categories:

- **Minor** – an isolated and non-repetitive finding or minor issue;
- **Major** – a systematic finding or major issue or infringement against local legislation;
- **Critical** – an exceptional issue, which requires immediate notification to the Nestlé Corporate Compliance Committee.

**CARE gaps identified 2014**

	Human rights and labour practices	Safety and health	Environmental sustainability	Business integrity	Security
Minor	23	29	21	9	16
Major	0	2	5	0	4
Critical	0	0	0	0	0

By the end of 2014, we had identified 109 CARE gaps. We have introduced corrective action plans to cover these gaps, 11 of which are now closed. The remaining corrective action plans are in the process of being implemented.

We also created three online Chatter groups in 2014 – one for each auditing company. Chatter is an internal communication system akin to popular social media platforms that Nestlé uses to facilitate internal collaboration between sectors. The groups created for CARE will be used to share compliance e-learning materials (such as Code of Business Conduct training and Human Rights tools), and will also provide a platform for all auditors seeking guidance in terms of CARE audits.

### Employee training and engagement

Our comprehensive 'We Make Nestlé' training programmes are designed to provide effective coaching coupled with constant employee engagement. They include several modules addressing our Code of Business Conduct, including our commitment against corruption, anti-trust issues and in support of fair competition. These modules are grouped under a 'We Make Nestlé Credible' umbrella, are continuously updated and provide training for all management, sales, purchasing and marketing staff. The modules can be adapted for individual business functions. Attendance is tracked and reported using the iLearn@Nestlé learning management system.



### Security

All security personnel working on Nestlé's behalf are expected to respect human rights, act within the law and comply with the company's rules, as outlined by our Security Policy and Corporate Business Principles. In 2014, we trained 94% of Nestlé and sub-contracted security personnel in priority countries. We also held two webinars for regional security managers, covering key human rights concepts and generating discussion on concrete examples (such as CCTV cameras and privacy, and due diligence for security companies). The webinar was attended by 83% of the target audience (40 out of 48), and the video is available for all employees to view on the Nestlé intranet.

We also incorporated a dedicated audit area for security within the CARE programme, which detected 16 minor gaps and four major gaps in 2014.

Furthermore, in 2014, we continued with the active application of our [Responsible Sourcing audit](#) programme for security providers. This audit, guided by ethical principles, is hosted by Tier 1 suppliers who have a direct commercial relationship with Nestlé, and promotes continuous improvement in line with the standards established in the Nestlé Supplier Code.

# Anti-corruption

Bribery and corruption can have a negative impact on our performance and operations, and on the perception that stakeholders have of Nestlé. As an international business we recognise that these activities may or do occur in some of the countries where we work. In this context, we strive to ensure that our practical commitments and standards for combating these practices are clear and applicable for our people and our suppliers.

## Our commitment



Work against corruption and bribery

## Committing to cultural change

Shaped by our Code of Business Conduct and the [United Nations Global Compact \(UNGC\)](#), we have pledged our commitment to sustained cultural change in four areas:

- **We will not use bribes:** Our Code of Business Conduct states that employees must never, directly or through intermediaries, offer or promise any personal or improper financial or other advantage in order to obtain or retain a business or other advantage from a third party, whether public or private.
- **We will not accept bribes:** Nestlé prohibits its employees from accepting any improper financial or other advantage in return for any preferential treatment of a third party. We will not allow employees or other representatives to base commercial decisions on anything but rational, objective and transparent criteria.
- **We are against facilitation payments<sup>2</sup>:** We prohibit our employees from making any facilitation payments through a zero-tolerance policy on facilitation payments, regardless of whether they are permitted under local laws.
- **We will not use others to do what we consider wrong:** Anyone working on Nestlé's behalf must not break any of our commitments and shall not take any actions to violate, or cause its business partners to violate any applicable anti-bribery laws and regulations, including the US Foreign Corrupt Practices and the UK Bribery Acts. If these rules are broken, we will end the relationship immediately.

## Our objectives

**By 2015** – Reinforce the Anti-Corruption Programme and communicate it to all markets and businesses. Roll out a new compliance e-learning to ensure employees understand what is expected of them.

**By 2016** – Adoption of local Anti-Corruption Policy implementation procedures in those markets and businesses where there is a need for further reinforcement.

**By 2017** – All employees with computers to complete the compliance e-learning.

## Anti-corruption training for our employees

In 2014, we defined new minimal standards as to who must be trained on anti-corruption, and how often based on seniority and length of service. We continued the deployment of the existing online courses, reaching 9 369 employees; 3 736 (almost 40%) of those employees trained occupy management positions. We also equipped line managers and Market Compliance departments with new communication material to be used in face-to-face anti-corruption training sessions.

Zone	Number of people
Americas	8 164
Asia Oceania Africa	963
Europe	242
<b>TOTAL</b>	<b>9 369</b>

## Monitoring anti-corruption

Our CARE audit programme enables us to monitor anti-corruption processes, allowing for the identification of improvement areas or opportunities for additional training. Employees are encouraged to report misconduct through our [Integrity Reporting System](#).

We take all allegations of bribery and corruption seriously. We thoroughly investigate each incident before deciding if there should be any disciplinary action. To the best of our knowledge, no public allegations of corruption were made against Nestlé in 2014.

<sup>2</sup> Facilitation payment: A facilitating payment is a payment made to a public or government official that acts as an incentive for the official to complete some action or process expeditiously, to the benefit of the party making the payment.

**Percentage and total number of business units analysed for risks related to corruption**

<b>2014</b>	<b>100% (42)</b>
2013	80%
2012	80%

In 2014, the following risks of corruption were identified:

- Facilitation payment;
- Gift to government officials and third parties (purpose and value); and
- Charitable contributions and non-commercial sponsorships (due diligence, records and documentation).

To help mitigate these risks, we:

- Signed the United Nations Global Compact [Call to Action: Anti-Corruption and the Global Development Agenda](#); [Read more here](#)
- Developed Guidance on Nestlé's Commitment against Bribery and Corruption as an attachment to the Code of Business Conduct, providing additional and complementary guidance on this topic;
- Developed a new e-learning tool designed to raise awareness and promote discussion; and
- Committed to train all office-based employees (by 2017) and to adopt local anti-corruption procedures in those markets and businesses where there is a need for further reinforcement.

**Consumer privacy**

In the constantly changing digital landscape, we seek to anticipate and respond to evolving consumer expectations, security threats and regulation concerning data privacy.

Nestlé treats the personal data of our consumers, employees and other stakeholders with the utmost respect and transparency. The challenge we face is to be a leader in digital marketing, while at all times maintaining consumer trust in our ability to safeguard their personal data.

Our goal is to make privacy part of the design of our businesses and organisation. We engage closely with external stakeholders to anticipate and respond to changes in consumers' expectations, security threats and regulation. We work with partners to ensure privacy compliance in all their activities for Nestlé. Several of our data privacy professionals are members of data privacy organisations and actively participate in the external debate. We also engage on data privacy issues with national and regional regulators, either directly or through industry associations.

Our approach is founded on our internal data privacy governance framework, which consists of clear, robust internal standards and an organisational structure empowered to enforce it.

**Our Privacy Policy**

The centrepiece of this framework is the Privacy Policy, which sets out the privacy strategy. It also features six key principles that all employees and contractors of Nestlé companies must comply with when processing personal data. Such data must:

- Only be processed for specific and legitimate business purposes;
- Be processed fairly and lawfully;
- Be properly managed;
- Be protected against unauthorised processing and damage;
- Be accessible when in the form of data collections; and
- Not be transferred to third parties or other countries without adequate safeguards.

Additional restrictions apply to processing sensitive personal data.

To the best of our knowledge, we have one substantiated data breach complaint to report for 2014. The complaint was submitted by a consumer and related to data collected in relation to a consumer promotion. Our investigation showed that the issue originated with a sub-contractor of an agency that Nestlé had engaged for the promotion. The issue was remedied immediately, the consumer was informed and steps were taken to prevent similar incidents in the future. The incident had no further repercussions.

**Our Data Protection Office**

Simultaneously, we seek to reinforce capabilities and controls across the Group, and Nestlé's Data Protection Office verifies compliance with our internal standards and provides advice, support and guidance on its implementation. It is supported by Data Privacy Officers and Champions in our businesses and functions. The organisation will be further strengthened during 2015, when we plan to build even greater data protection competencies across the Group.

In 2014:

- We reinforced our internal privacy compliance framework in relation to digital marketing activities, with a new binding internal standard and new processes applicable to all employees and contractors involved in this business area. The standard requires that a privacy impact assessment is made ahead of initiating projects involving digital platforms, and that all such platforms are registered centrally for improved control and monitoring.
- We completed the project started in 2013 to remove inconsistencies in how we inform consumers of their privacy rights. Building on this, we have started several initiatives to communicate our privacy notices to consumers clearly and concisely.
- We pursued our efforts to obtain ISO 27001 certifications in key data privacy areas, including for human resources, consumer services and information services and technology. In 2014, we obtained nine certifications.
- We developed company-wide e-training on data privacy, which we will begin rolling out across the organisation beginning 2015.
- We recruited a Senior Legal Counsel Data Privacy to lead efforts in the field of data privacy within the Group.

# Human rights

We keep our responsibility to respect human rights at the forefront of our business by continually reviewing and addressing the impact that our business activities have upon them. We strive to prevent any negative impacts that we may have on those who we employ, do business with, or interact with along our value chain. Through carefully determining a balance between transparency and confidentiality, Nestlé adapts its approach to local circumstances where we operate, ensuring that we raise awareness of our stakeholders, while respecting their rights. Our Human Rights Due Diligence Programme allows us to address these challenges.\*

\*Issue is covered in the chapter on Our People

## Our commitment



Assess and address human rights impacts in our operations and supply chain

## Human rights due diligence

Through the eight operational pillars of our Human Rights Due Diligence (HRDD) Programme (see below), we aim to make our approach to human rights strategic, comprehensive and unified across all our business activities.

Nestlé's Human Rights Due Diligence Pillars	Since 2010, we have...
<a href="#">1. Policy commitments</a>	<b>Reviewed 15 Nestlé policies and procedures</b> to include relevant human rights elements.
<a href="#">2. Stakeholder engagement</a>	<b>Engaged with hundreds of stakeholders</b> on global and local human rights issues and dilemmas.
<a href="#">3. Training</a>	<b>Trained almost 50 000 employees</b> on human rights in <b>64 countries</b> .
<a href="#">4. Risk evaluation</a>	<b>Identified 43 human rights risks</b> as material for our business and included them as part of our Enterprise Risk Management (ERM) system.
<a href="#">5. Impact assessment</a>	<b>Carried out nine human rights impact assessments</b> in Colombia, Nigeria, Angola, Sri Lanka, Russia, Uzbekistan, Kazakhstan, Vietnam and Pakistan. In 2013, we released a joint white paper with The Danish Institute for Human Rights called <b><i>Talking the Human Rights Walk</i></b> , presenting the key outcomes of these impact assessments.
<a href="#">6. Internal coordination</a>	<b>Integrated eight Nestlé Department Heads</b> as part of our Human Rights Working Group: Human Resources; Public Affairs; Legal; Security; Compliance; Procurement; Safety, Health and Environment; and Group Risk Management.
<a href="#">7. Partnerships</a>	<b>Signed two major partnerships</b> with The Danish Institute for Human Rights (DIHR) and the Fair Labor Association (FLA).
<a href="#">8. Monitoring and reporting</a>	<b>Integrated human rights indicators into three of our monitoring systems:</b> CARE audits, Responsible Sourcing audits and the Integrity Reporting System.





### Taking advice from the experts

The Corporate Social Responsibility Initiative at the Harvard Kennedy School of Government is a multi-disciplinary and multi-stakeholder programme that seeks to study the public contributions of private enterprise, bridging theory and practice through the intersection of corporate responsibility, corporate governance and strategy. The Initiative is developing a case study on the eight pillars of Nestlé's Human Rights Due Diligence Programme, focusing on the internal processes and external partnerships that the company has established with NGOs. The case study will explore how the company's programme aligns with the UN Guiding Principles on Business and Human Rights, and how it is being implemented at the country level in partnership with others.

Every year, we report on our human rights performance against these eight pillars and the GRI indicators as part of this report. A summary of our activities is listed here:

### Pillar 1: Policy commitments

#### Our objective

**By 2015** – Include human rights across all 12 commodity categories covered by the Nestlé Responsible Sourcing Guideline.

In July 2014, Nestlé published its [Commitment on Land & Land Rights in Agricultural Supply Chains](#). In this, we specifically commit to compliance with all applicable national laws and human rights standards, while continuously improving operational practices, seeking to enhance stakeholder engagement and regularly reporting on our progress in meeting this commitment (see [Rural development](#)). Furthermore, in 2015, we rolled out the [Tell us external grievance mechanism](#) as a pilot in 10 countries, accompanying the widespread distribution of our updated [Nestlé Supplier Code](#), which now includes a dedicated human rights section.

Our Supplier Code, which defines the non-negotiable standards that we demand of all our suppliers, is based on – and explicitly refers to – the UN Guiding Principles on Business and Human Rights. In August 2014, we made our Responsible Sourcing Guideline a Group-wide Commitment and made the human rights requirements mandatory for any upstream supply chain sourcing back to farms.

In October, Nestlé invited Linklaters and [The Danish Institute for Human Rights \(DIHR\)](#) to participate in a workshop to review Nestlé's Mergers and Acquisitions Due Diligence questionnaires. The main outcome of the workshop was an amended version of the Nestlé Due Diligence Questionnaire, the final version of which, including strengthened human rights content, will be made available to the relevant operational areas on the Mergers and Acquisitions system later in 2015.

We have also mainstreamed human rights across the 12 key categories of raw material covered by the [Nestlé Responsible Sourcing Guideline](#), ensuring that each has a tailored, commodity-specific human rights requirement.

### Pillar 2: Stakeholder engagement

We engage with international and local stakeholders, including government agencies, international organisations, trade unions, business associations, civil society organisations and academia on human rights issues. This allows us to improve our overall approach to human rights based on expert feedback.

In April 2014, Nestlé organised a roundtable meeting on human rights and rural development for stakeholders in London, to discuss Nestlé's [Talking the Human Rights Walk](#) report. This discussion involved 20 experts in the field, including representatives from [Amnesty International](#), the [FLA](#) and UN bodies, and was facilitated by the [DIHR](#) and [SustainAbility](#). At the event, participants informed Nestlé that they would like to see us improve our performance in several areas:

- Continue to develop and communicate our approach and practices on human rights impact assessments (HRIA) and rural development;
- Strengthen governance of human rights through escalation processes and effective local accountability systems;
- Engage in multi-stakeholder action to improve human rights and rural development outcomes and jointly define scope and priorities for activities in these;
- Apply a rights-based lens to deepen our HRIAs and align our work in human rights and rural development;
- Encourage involvement at the right levels internally, and include a management plan to address risks, effective accountability systems, approvals and escalation processes; and
- Work more closely with suppliers.

The next meeting will follow the publication of the second Human Rights Impact Assessment report.



Having the right policies, procedures and management systems is good and necessary, but it is not enough. It is the implementation, how you behave on the ground and the relationships you establish with different stakeholders, which create the trust necessary to be successful over time, as a company and as a society.”

**Paul Bulcke, Chief Executive, Nestlé (keynote statement, delivered at the United Nations Annual Forum on Business and Human Rights, 2 December 2014, Geneva)**

### Pillar 3: Training

#### Our objective

**By 2015** – All FTSE4Good Countries of Concern where we operate are covered and employees trained to reduce human rights risks in our operations

We raise our employees’ awareness of human rights and develop their capacity in this area. This helps us to integrate our human rights commitments into our employees’ daily activities. In 2014, we trained 5 941 employees on human rights across 11 FTSE4Good<sup>3</sup> Countries of Concern<sup>4</sup>. Since the launch of our online human rights training tool in 2011, 49 444 employees have been trained in 64 countries. We have also provided face-to-face training to our Nestlé Group Audit, Legal department and Security Regional Managers. Direct engagement with the relevant departments allows us to tailor human rights training to the specific issues they face in their daily activities. From 2015, we are committed to providing human rights training to all employees in FTSE4Good Countries of Concern where we have a significant involvement<sup>5</sup>.

### Pillar 4: Risk evaluation

We evaluate human rights-related risks across our business activities to manage them proactively. Human rights risks rated as ‘high’ are systematically integrated into our Enterprise Risk Management (ERM) system. In 2014, we identified 34 high risks.

### Pillar 5: Impact assessment

We conduct specific Human Rights Impact Assessments (HRIAs) in countries deemed to be High-Risk or Countries of Concern by FTSE4Good. In 2014, we carried out HRIAs in Pakistan, which took the cumulative total of HRIAs conducted to nine since 2010.

The assessment follows the 2013 publication of a joint white paper with the [DIHR, \*Talking the Human Rights Walk\*](#) – the first public disclosure of HRIAs by a major multinational – and it presents key outcomes of our HRIAs in seven country operations. As well as providing a unique opportunity for detailed discussions with Nestlé employees, suppliers, local communities and stakeholders in different regions, the assessments enable us to learn a great deal about the challenges faced, and to implement action plans that address any gaps between international human rights standards and current practice, both at corporate and country level.

### Pillar 6: Internal coordination

Through the Nestlé Human Rights Working Group, we coordinate our human rights approach and activities across the business. The Working Group comprises eight departments: Human Resources; Public Affairs; Legal; Security; Compliance; Procurement; Safety, Health and Environment; and Risk Management.

This year, we continued to develop key priorities for 2012–2014 and a work plan of specific actions, carried out against the key priorities agreed each year by the Working Group. The key priorities for 2014 were:

- **Human Rights Due Diligence and Capacity-Building**, covering: gap analysis, security and human rights, community engagement, investment procedures, risk assessments, impact assessments and training;
- **Compliance**, covering: CARE, Nestlé Group Audit and FTSE4Good;
- **Grievance mechanisms**, namely the Nestlé Integrity Reporting System and ‘Tell us’;
- **Partnerships**, with the DIHR and the FLA;
- **International engagement**, through the International Union of Food and children’s rights;
- **Proactive communication**, comprising: the publication of case studies, human rights reporting and communicating with different business markets; and
- **Beyond compliance**, focusing on incorporating human rights into the Rural Development Framework.

### Pillar 7: Partnerships

We partner with leading organisations that help us to deliver on our human rights commitments. In 2014, we renewed our two-year partnership with the [DIHR](#) as part of the successful implementation of our Human Rights Due Diligence Programme. We are also an official affiliate of the [FLA](#), which helps us address labour standards in our supply chains. Our work with both of these organisations has helped us to assess positive and negative impacts across our operations and value chains.

<sup>3</sup> FTSE4Good is the ethical investment stock market indices of the Financial Times and the London Stock Exchange. It is designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.

<sup>4</sup> The Countries of Concern where we operate are as follows: China, Russia, Saudi Arabia, Egypt, Pakistan, Nigeria, Colombia, Vietnam and Sri Lanka.

<sup>5</sup> Significant involvement is defined by FTSE4Good as having 1 000+ employees or CHF 148 million in turnover or assets in these countries through a 20%+ equity stake in subsidiaries or associates incorporated there.

G4-HR1, G4-HR2, G4-HR4, G4-HR5, G4-HR6, G4-HR9, G4-HR11, Human rights grievance mechanisms G4-DMA, G4-SO11

## Pillar 8: Monitoring and reporting

We mainstream human rights into relevant management systems and procedures to monitor our human rights performance and report on it annually. This helps us to verify how far and

effectively human rights have been integrated into our business activities.

The monitoring mechanisms we use for different areas of our operations and supply chain are summarised below:

### Human Rights monitoring mechanisms

	Policies	Programme	Monitoring tools	
			Verification	Complaints
<b>Nestlé facilities</b>	Corporate Business Principles  Code of Business Conduct	CARE programme	CARE audits	Integrity Reporting System
<b>Tier 1 suppliers</b>	Nestlé Supplier Code	Responsible Sourcing Audit Programme	Sedex Members Ethical Trade Audits (SMETA) 4-Pillar	'Tell us'
<b>Upstream suppliers</b>		Responsible Sourcing Traceability Programme	Responsible Sourcing Guideline	

#### Percentage and total number of contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening

	2012	2013	2014
<b>Significant investment agreements</b>	1 (100%)	2 (100%)	n/a <sup>6</sup>
<b>Contracts</b>	100%	100%	100%

#### Significant suppliers and contractors that have undergone human rights screening (% and total number)

	2012	2013	2014
<b>Suppliers and contractors</b>	80	100	100
<b>Operations</b>	11.8	21	8.1 (56)

#### Human Rights Impact Assessments completed

<b>2014</b>	<b>1</b>
2013	7
2012	3

#### Significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk

<b>2014</b>	<b>348</b>
2013	51
2012	22

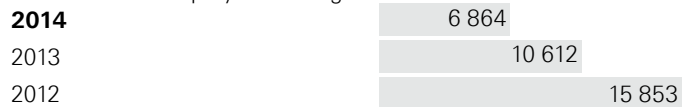
#### Total number of supplier incidents of discrimination

	2010	2011	2012	2013	2014
<b>Supplier incidents</b>	n/a	91	121	65	90

<sup>6</sup> There were no significant investment agreements in 2014.

**Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations**

Total hours of employee training



Number of employees trained

**Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms**

Filed



Addressed and resolved

**Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour**

	2012	2013	2014
Operations	0	0	Zero
Suppliers	92	149	174

**Operations and significant suppliers identified as having significant risks for incidences of child labour**

Operations



Suppliers



<sup>7</sup> 18 103 employees trained via online tool; 166 employees trained face to face.

<sup>8</sup> Data represents the first nine months of 2013 only.

# Child labour

Nestlé is against all forms of child exploitation, and we are committed to preventing and eliminating child labour from our supply chain. By working with a range of different stakeholders, we develop and implement meaningful solutions to this issue by setting up comprehensive monitoring mechanisms, implementing effective remediation activities and providing targeted support to local communities.

## Applying a comprehensive strategy

Our [Nestlé Corporate Business Principles](#) clearly state that we oppose all forms of child exploitation and uphold the elimination of forced and compulsory labour. In addition, the Nestlé Supplier Code includes a strict prohibition on child labour and requires that all our direct (Tier 1) suppliers are independently audited. It builds upon definitions from the ILO, Nestlé's Business Principles and experiences from Nestlé's own operations.

### Our commitment



### Eliminate child labour in key commodities

In 2014, we built on our commitment to fight child labour, following our joining of the ILO's Child Labour Platform in 2013. [The Nestlé Commitment on Child Labour in Agricultural Supply Chains](#) – drawn up in consultation with expert external stakeholders including the Fair Labor Association, the DIHR and the [International Cocoa Initiative \(ICI\)](#) – is a strategy that reflects our efforts to tackle child labour in agricultural supply chains. Key aspects of the strategy, which is applicable to suppliers in all tiers of Nestlé's raw material supply chains, include:

- **Oversight:** We operate a Child Labour and Women's Empowerment Task Force, chaired by Executive Board member José Lopez, to identify measures, take decisions and monitor progress;
- **Responsibility for management of the issue:** Overall management responsibility for each high-risk category of raw material by a named business unit, and management of the situation at the country level;
- **Targeting high-risk commodities and children at risk:** Assessment of the risk to children's rights, which include protection from economic exploitation and work that may be dangerous to their health, safety or morals and that may hinder their development or impede their access to education; a clear strategy to address the issue and its root causes, a focus on vulnerable groups (the children of migrant workers, girls, orphans and trafficked children), proactive work with suppliers, and termination of all business with suppliers unwilling or unable to comply;

- **Improving understanding and competence:** Engaging specialist partners, providing staff training and guidelines to tackle child labour, and dialogue with civil society organisations; and
- **Delivering transparency:** Communicating our commitments to suppliers and stakeholders, operating a complaints mechanism, monitoring progress, and reporting on actions and progress.

Our priority categories of raw material and countries of origin are currently [cocoa in Côte d'Ivoire](#), [hazelnuts in Turkey](#) and [vanilla in Madagascar](#). All priority areas are reviewed regularly to ensure we are focusing on the countries and supply chains most at risk. Where cases of child labour are discovered, we expect suppliers to consider each instance on an individual basis and always seek to solve the problem in the best interest of the child or children involved. To assist suppliers in their assessments, we created an online e-learning tool in 2013 to help create greater awareness about which situations constitute child labour and how best to counteract it.

## Action plans

### Our objective

**By 2015** – Complete action plans to reduce child labour in our cocoa, hazelnut and vanilla supply chains, with 60 000 farmers trained on child work/labour practices; 60 schools built or renovated; and 80% of co-ops covered by a child labour monitoring and remediation system (100% by 2016).

In 2014, we continued to implement our action plans to focus specifically on commodities and countries where there is a higher risk of child labour issues.

### Action plan for cocoa

Nestlé's Child Labour Monitoring and Remediation System (CLMRS) was extended to 22 co-operatives in 2014 in partnership with the [ICI](#).

To ensure that it is effective, the CLMRS has been built into the structure of our cocoa supply chain, allowing us to leverage our relationships with suppliers and other stakeholders to deliver on our commitments in this area. It complements other aspects of the Nestlé Cocoa Plan, which are designed to increase farmer productivity and income, helping them out of poverty.



## Child labour system

# The system is built into our supply chain and works from the ground up

The International Cocoa Initiative is our main partner in the system, helping to implement it at every level...



## Farmers

Trained to improve their productivity and income and to avoid child labour

Sell the cocoa they produce to a farming cooperative (co-op)

In Côte d'Ivoire we buy cocoa from about 67 co-ops (about 30,000 farmers)

## SCHOOL

## Community Liaison People

Gather data about whether the children of farmers are working and, if so, if it is child labour, or non-hazardous work that doesn't interfere with schooling

Chosen by their local community

Responsible for educating communities about the dangers children face on farms. These sessions are open to everyone, not only farmers supplying Nestlé

## Co-op Child Labour Agents

Help to devise and organise the specific intervention efforts needed to help each child

Coordinate the Community Liaison People in their co-op

## Suppliers

Help to recruit child labour agents

Support data gathering process

## Nestlé

Ensures data is collected and intervention efforts are taking place

Funds the system through direct payments and by paying farmers a premium for good quality cocoa

Helps farmers improve their productivity to increase their income by providing higher-yielding plantlets, and by training them in good agricultural practices

## The main actors of the CLMRS:

**1. Community Liaison People.** The first integral step of the CLMRS is active work together with the communities where the farmers live. By the end of 2014, Nestlé had recruited 332 Community Liaison People, whose role is to engage with local community households to gather all the data that is required to better understand the environment in which they live and to identify issues related to child labour risks. In 2014, Community Liaison People had interviewed 9 059 producers among the 12 537 registered cocoa farmers in the first 22 co-ops; 23 426 children were included within the range of these assessments. This data is collected through specific templates that the Community Liaison People can access on cell phones provided by Nestlé and ICI. Once this data has been gathered, the information is consolidated by the Co-op Child Labour Agent (see below). The Community Liaison People report situations in which children are at risk, and organise awareness-raising activities in the communities to prevent child labour. By the end of 2014, 12 458 farmers and 35 736 community members had been sensitised to child labour as part of the CLMRS.

**2. Co-op Child Labour Agents.** As part of the CLMRS, each farming co-op that works with Nestlé needs to have a dedicated Child Labour Agent. The agent consolidates all of the information provided by the communities and passes this information along the chain. Furthermore, the Child Labour Agent is responsible for proposing child labour prevention and remediation efforts based on the information and data collected in each community, and for ensuring that these activities are followed through. The CLMRS in Côte d'Ivoire currently involves 18 Child Labour Agents and 699 co-op managers have been trained by ICI on child labour issues.

**3. Suppliers.** The next part of the system is suppliers. Nestlé currently works with six main suppliers in Côte d'Ivoire. Raising their awareness on child labour and building their capacities in this area is a key success factor of the CLMRS. Sixty-eight suppliers' staff members, including agronomists, have been trained by ICI on child labour so far. Suppliers play a key role in the engagement process with the co-op managers to explain how the system works and what is expected from them as part of it. In addition, each of these suppliers employs agronomists on the ground level that have been trained on child labour. By the end of 2014, 9 346 cocoa field visits had been performed.

**4. Nestlé.** The last link in the chain is Nestlé. In total, 64 Nestlé staff members have received training on child labour provided by ICI. Nestlé Côte d'Ivoire has a dedicated child labour manager who coordinates the overall implementation and functioning of the CLMRS. In close collaboration with ICI, we seek to:

- Ensure that the CLMRS is rolled out to all the Nestlé Cocoa Plan co-ops by end 2016, and engage with individual co-ops to secure their buy-in along this journey;
- Participate in the recruitment process of the Community Liaison People and the Co-op Child Labour Agents;
- Consolidate the data and information gathered through the system;
- Make sure that each child labour case identified is remediated in a timely manner and in the best interest of the child or children involved; and
- Develop a funding model for the system that is financially sustainable over the long term.

## Enabling organisations

The CLMRS would not function properly without the support provided by [ICI](#) and the [FLA](#), which play complementary roles as part of the system.

ICI is involved in work at a ground level, and has increased staff members in order to extend the roll-out of the system by:

- Recruiting Community Liaison People and Child Labour Agents;
- Designing, collating and coordinating the child labour database;
- Training all the different actors of the system on child labour but also on their role as part of the system;
- Conducting awareness-raising sessions on child labour for farmers and local communities;
- Designing and implementing remediation activities; and
- Collecting KPIs for the purpose of reporting on the overall performance of the system.

The FLA, on the other hand, plays a different role, by ensuring that Nestlé as a company becomes progressively compliant with their own Code of Conduct. The FLA organises its own external audits and sends auditors to the co-ops to ensure that we meet the FLA code of conduct as well as the Nestlé action plan. Their role tends towards auditing rather than implementation. Audits are [published](#) together with our responses.

## Remediation activities

The CLMRS has helped us identify 2 965 children (around 13% of children surveyed) who were involved in hazardous tasks; classified as child labour.

We have ensured a systematic follow-up with 1 677 children so far and 616 of them have already benefited from remediation work, including providing school kits, securing birth certificates, and developing income-generating activities for 312 families of identified children, with the remaining cases being investigated further.

The successful application of any remediation activity requires its adaptation to the particularity of each situation and each individual. However, many of the communities in which the CLMRS is being implemented suffer from severe local impediments, the most key of which occur in the field of education: through a lack of schools, and the personal difficulties faced by families in sending children to school, such as income deficiencies or lack of birth certificates. Of the 23 426 children of farmers who are members of the 22 co-ops, only 13 839 (59%) attend school. So far, Nestlé has built 40 schools in communities most at need, benefitting over 11 000 children. But to be successful dedicated efforts are required from all the relevant stakeholders, including the government, NGOs, international organisations, suppliers and the farmer communities themselves.

## CocoaAction

CocoaAction, a strategy launched in May 2014 under the guidance of the [World Cocoa Foundation](#), brings the world's leading cocoa and chocolate companies together to accelerate sustainability and improve the livelihoods of cocoa farmers in Côte d'Ivoire and Ghana.

As part of its community development pillar, CocoaAction stresses the importance of a proper monitoring and remediation system at the community level to address the issue of child labour. CocoaAction will help scale up and replicate the child labour monitoring and remediation model much beyond Nestlé's supply chain to potentially bring about a real change in this area. See [Rural development](#) for more information.



## Empowering women to combat child labour

Women have a pivotal role to play in the fight against child labour, as they are often responsible for taking care of the household. Our vision is to empower women to improve their livelihoods and eliminate child labour by updating the three priorities of [Nestlé's Action Plan for Women in the Cocoa Supply Chain](#): promoting equal opportunities, giving women a voice and helping increase their income.

In 2014, we launched a series of gender awareness training in Côte d'Ivoire to open up more opportunities for women, and address a number of social and cultural barriers. We will extend this training to all co-ops by 2017. In collaboration with the FLA, we will be working with women's associations to widen their participation and increase their influence in the sector. As one of the key causes of child labour is a lack of income, we are also helping women to grow additional food crops to sell.

## Action plan for hazelnuts

The main [source of supply for hazelnuts](#) is Turkey, which accounts for approximately 75%–80% of the global production total. The majority of the hazelnuts we purchase as a raw material are sourced from the Black Sea region, which supplied 4 000 of the 7 000 tonnes we procured globally in 2014.

Hazelnut harvests are seasonal, requiring large groups of migrant workers and their families to move to the areas in which hazelnut gardens are located for the relatively brief harvest period. Younger members of these families can sometimes become involved in work related to the harvest. Remediation in this context consists of ensuring that children are not exploited during their harvest work, and to assist the provision of education for young workers.

We have been working with the [Fair Labor Association \(FLA\)](#) in Turkey since 2011 to improve supply chain transparency and implement a monitoring and remediation system for tackling labour and human rights issues. Our multi-year action plan, submitted to the FLA in 2012, focuses on the integration of FLA recommendations and sound labour practices into our sourcing strategy.

In December 2013, as part of our action plan, we committed to:

- Strengthening child labour monitoring and remediation;
- Continuing to work with local authorities and the ILO to raise awareness through campaigns, training and an illustrated supplier code in Turkish;
- Establishing a toll-free phone number for non-compliance reporting; and
- Introducing a self-assessment tool for hazelnut growers to verify their performance with respect to child labour criteria.

We have driven multi-stakeholder dialogue, together with our two key suppliers [OLAM-Progida](#) and [BALSU](#), a Public–Private Partnership with the [ILO](#) and trade association [CAOBISCO](#), and a Working Group with the [Turkish Ministry of Labour](#). A key aspect of the partnership activities has been training and awareness-raising sessions, in which personal protective equipment, drinking water, adequate sanitation and hand-washing facilities and medical kits have been provided. From May to June 2014, Nestlé, OLAM-Progida and BALSU held meetings in eight different locations to discuss issues related to health and safety, good agricultural practices and child labour. These meetings were attended by 500 farmers.

In 2014, we conducted 110 unannounced visits to hazelnut gardens, together with self-assessment provided by 4 000 farmers and interviews with 700 workers. The frequency of non-compliance incidents were found to be lower than in 2013. Child labour by children between 12 and 15 years old was discovered at 20% of the gardens.

Last year alone saw investments of CHF 30 000 (USD 30 800) in remediation equipment and activities during the harvest period. Around 2 500 hats and 2 350 pairs of gloves were provided to those picking hazelnuts, as well as 146 first aid kits, and a toll-free number was promoted, through which complaints could be made. Furthermore, four summer schools and another four camps for younger children were organised; these were attended by 500 children.

 **See [Rural development](#)** for more information.

### Action plan for vanilla

Madagascar is the world's largest exporter of vanilla, accounting for 80% of global production, and its importance to the Malagasy economy is clear; the national agricultural industry employs 80% of the population. However, a shortage of bees means that vanilla, an orchid, has to be pollinated by hand. Combined with harvest and then curing, this makes vanilla a labour-intensive crop and, therefore, more suited to small-scale farmers. There are about 80 000 farmers cultivating vanilla, living on an average of USD 2 (CHF 1.98) per day, and most rely almost exclusively on vanilla for their income. With such low levels of income, smallholder farmers struggle to meet their basic needs and often rely on child labour.

As vanilla is a crop that requires delicate handling, children normally start unpaid work on the less delicate tasks around the age of 13, though only older children help their parents during the labour-intensive pollination phase. The work that children are involved with is considered training, to prepare them for when they are older and take on the responsibility themselves.

Nestlé's priority in this context is to work with partners to find solutions tailored to helping farmers diversify their crops, reduce vanilla dependence and tackle the issue of child labour. In 2013, Nestlé began a partnership with local supplier Givaudan to develop responsible sourcing, including combating child labour through sturdier educational infrastructures.

Since 2010, [Givaudan](#) and its supplier [Henri Fraise Fils](#) (HFF) have worked with the Development Advice Group, focusing on village development, which led to the creation of the *Association Développement équitable a Madagascar* (Association for the Fair Development of Madagascar) in June 2014. The association manages the vanilla organic farmers' rural development programme in the Sambava district, financed by HFF, Givaudan and Nestlé. The objective of the programme is to provide selected villages with better access to education, by building, extending or repairing schools, and providing equipment.

Improved educational facilities mean that children of vanilla farmers have the opportunity to seek other employment outside of vanilla cultivation. To date, 2 500 schoolchildren and 2 000 Malagasy families have benefited from the programme. In 2014, Nestlé contributed to the extension of schools in the Anjinjaomby and Antakôly regions. Renovation work was conducted with renewable materials, and local families participated in the construction.

The Responsible Sourcing activities and fund allocation in 2014 have enabled us to better understand where support and resources are required, and in 2015, we will sponsor the building of two schools close to our sourcing locations.

While the many challenges facing the vanilla industry still include security of supply, price stability and better quality beans, the focus has increasingly switched to the social responsibility of the industry, the organisation of farmers and communities, and tackling child labour. Although there is much to be done, these efforts show that we and our partners are committed to real change.

 **See [Rural development](#)** for more information.



# Product safety and quality

**Food safety is a material issue for Nestlé. We prioritise the consumer at all stages of production, as represented by the high quality and safety standards we set for ourselves. This helps us to build trust, which in turn cements the foundations for solid, long-term relationships. As this trust is a key facet of our business strategy, we never compromise on product safety.**

## Governance and oversight

Each of our markets and globally managed businesses has a quality team. This team reports directly to the relevant technical or operations manager, who in turn reports to the Market Head or Chief Executive. Our global Quality department reports to Nestlé's Head of Quality Management, who reports to the Chief Operations Officer.

### Revising the Nestlé Quality Policy

Our work in ensuring food safety, compliance and quality is guided by the company's Quality Policy, updated and published in March 2014, to further enhance consumer trust and satisfaction with all our brands, products and services. This trust is built through:

- Guaranteeing food safety and full compliance by respecting our policies, principles and standards;
- Ensuring preference and consistency to delight consumers by offering products, systems and services that always meet their expectations;
- Striving for zero defects and no waste by constantly looking for opportunities for continuous improvement to deliver competitive advantage; and
- Ensuring commitment across our complete value chain and at all levels of our organisation.

## Monitoring and compliance

### Nestlé Quality Management System

The Nestlé Quality Management System (NQMS) is our way to implement the Quality Policy across the Nestlé Group to ensure that we deliver on our commitment to safety, compliance and quality. Our Quality Management System is the foundation on which we maintain and build trust with our consumers, and encompasses a range of systems that improve quality compliance and performance, from product development to consumption. To reflect our updated Quality Policy, we also revised the NQMS in April 2014, so that it focuses on new requirements and initiatives across the value chain.

Third-party certification bodies ensure we comply with the NQMS, while our Food Safety Management System is certified against the [ISO 22000](#) and [FSSC 22000](#) food safety certification standards. In 2014, 97% of our manufacturing and R&D sites were certified by the ISO/FSSC 22000 (2013: 94%). Of these sites, 674 (94%) (2013: 91%) comply with the NQMS, which covers the entire value chain and encompasses essential elements such as Good Manufacturing Practices, Hazard Analysis and Critical Control Points, and Traceability.

### GLOBE Quality Management System

We launched the GLOBE Quality Management System (GLOBE QMS) in 2013 to simplify, standardise and harmonise quality inspection activities across all Nestlé products, so that we consistently provide consumers with products that are safe, compliant and meet their expectations. Additionally, the GLOBE QMS system supports the manufacturing excellence element of zero waste by targeting First Time Right, at each inspection point.

Our objective for 2014 was to accelerate the roll-out we initiated in 2013, leading to the completion of 200 projects and the initiation of a further 350. We have completed 240 and initiated 554, which is about 25% of Nestlé factory/product category combinations.

### Quality compliance verification

Alongside food safety and quality, quality compliance is one of the three pillars of quality management and has triggered the definition of a set of quality compliance requirements. These have been incorporated at the base of the Nestlé Continuous Excellence quality foundations for manufacturing, and are annually assessed in all Nestlé factories.

Last year, we introduced quality compliance verification at Nestlé manufacturing sites. This year, we are on track to achieve the base level for quality compliance in more than 90% of our sites.

## Product recalls

The safety, health and wellbeing of our consumers is our top priority, and our Quality Assurance and Product Safety systems continue to address the reasons for any product recalls. In 2014, we recalled 12 products (2013: 10) to prevent quality or safety concerns for our consumers.

The eradication of foreign bodies, for example, remains a key quality priority for Nestlé. This year, we have reduced foreign body complaints by 12.7%. By increasing awareness, introducing technological improvements such as state-of-the-art detection systems, and implementing preventive measures in our facilities and those of our suppliers, we expect to make further progress.



## Engaging with employees and consumers

By introducing stricter and more robust controls and engaging closely with all our employees, we will ensure our products and services are of the highest level of quality and safety.

In a rapidly moving media environment in which both consumers and authorities react to real and perceived issues with greater haste, it is vital that we focus on providing clear and prompt communication to our external stakeholders regarding the quality and safety of our products and services. We will only meet the highest quality levels if we fully engage with our employees and encourage them to share best practice across the business.

Nestlé's 'early warning system' is strengthened by our Food Safety Network, which allows us to quickly engage with stakeholders across the company to mitigate any potential risks that have been identified. We have also introduced a system that enables better communication across Nestlé following major quality or safety incidents. The aim is to share preventative measures and eliminate root causes so we can prevent similar incidents from occurring again in the future.

We want consumers to be able to contact us immediately if there is a problem with any of our products. To enable this, our branded products carry an invitation for the consumer to Talk to Nestlé, and we print all relevant contact details on the label.

Our worldwide consumer services organisation ensures that we can immediately respond to any consumer or trade complaints, and take the necessary corrective action without delay. We are also introducing measures that will allow consumers to contact us at any time of the day or night, through traditional consumer services or social media platforms.





# Our People

We put people at the centre of everything we do. From factory workers to scientists, sales representatives to business managers, our people are our greatest asset, so offering good working conditions and keeping them safe, healthy and engaged is a top priority. Last year, Nestlé signed up to the UN Women's Empowerment Principles and it is helping us to improve the gender balance of our business. We have also announced the launch of the Youth Employment Initiative across Europe, creating 20 000 new opportunities for people under 30 by 2016. Our Safety and Health Roadmap towards Excellence is directing our improvements to safety and health systems across our organisation. In this chapter, we share the challenges facing our business today and the ways in which we are supporting and developing our people.

## The year in brief

### 2014 highlights

#### 29 countries

in which we conducted living wage studies

#### Around 260 000 employees

were asked to input into our 2014 Nestlé & I employee engagement survey, with the results to be shared in 2015

#### Diversity and inclusion awards

Nestlé awarded Most Inclusive Employer at the European Diversity Awards, and the Gender Balance Initiative showcased on Catalyst's Practices webpage

#### 25%

of our senior leaders are women, as are 33.7% of our managers

#### Nestlé needs YOUTH programme

launched across all European markets with Alliance for YOUTH, a partnership offering mentoring and traineeships

### Challenges

#### Working conditions

It is difficult to ensure that all of our people work under the same conditions, due to local disparities in worker legislation. Disparities can include a lack of local legislation on working conditions or legislation that differs from our preferred conditions to name a few.

#### Safety and health

The significance of the hazards we face in our work is increased by the scale of our global operations. Our aim is to strive for true excellence, with the ultimate goal of zero injuries and work-related illnesses.

#### Gender balance

Diversity in our business, and in our supply chain, is a real asset, and the changing role of women and men in society has created a need for gender balance at all levels in business.

#### Youth employment

Youth unemployment is a major issue around the world, and attracting and retaining the best talent is critical for gaining competitive advantage in a slowly recovering economy.

### What we are doing

#### Fostering workforce relations

In 2014 Nestlé launched its living wage initiative and became the first major FMCG company to receive accreditation as a Living Wage employer in the UK

#### Working towards zero injuries

In support of our zero injuries and work-related illness goal, we have expanded the scope of our safety and health programme beyond our manufacturing and distribution activities, to include our colleagues working in R&D, sales and office-based functions.

#### Gender diversity

We have introduced a wide range of practices that have been well received by both male and female employees including breastfeeding rooms, paternity leave and flexible work arrangements.

#### Creating a talent pipeline

Nestlé has committed to offer 20 000 jobs, traineeships and apprenticeships to under-30s by 2016. The roles are across the business, from operators on the factory floor to sales assistants and business managers.

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Employment G4-DMA, Labor/Management Relations G4-DMA, Occupational health and safety G4-DMA, Training and education G4-DMA, Diversity and equal opportunity G4-DMA, Equal remuneration for men and women G4-DMA

## Our role with our people

Our employees play a vital role in helping Nestlé to achieve competitive advantage, and we seek to provide them with the skills and working environment they need to flourish. To deliver our aims, we strive to maintain a culture of open and constructive dialogue with all employees and external stakeholders, believing it helps us make better decisions and develop stronger relations with our workforce. We believe that our people have the right to join organisations of their own choosing, such as trade unions, and to engage in constructive negotiations. Nestlé encourages and supports a comprehensive leadership style – leading to win, managing for results, growing talent and teams, and proactively competing and connecting with the external environment. We recognise that the needs of our workforce continue to develop and change over time, so to ensure we are listening to our employees, we canvass their opinions through regular surveys, every two years. The results and key learnings are shared in this chapter.

### Material issues





























In 2014, we engaged SustainAbility, working together with Accenture for a commercial point of view, to quantify and rank our material issues. They were mapped with regard to the degree of importance Nestlé stakeholders place on the issue in different parts of the value chain, and to where financial, operational and reputational impacts would be felt in the value chain.

Each issue is made up of a number of sub-issues, which were highlighted during the research process. The consultancy used the sub-issues as a lens, to define the scope of analysis. In this section, we have provided a synthesis of the findings related to Our People. [Read more here.](#)

In 2014, four material issues fell under the banner of Our People that were rated as being of concern to our stakeholders and of strategic importance to our business: **human resources, safety and health, community development and unemployment**, and **women's empowerment**. Human resources spans employee remuneration and retention; diversity; employee engagement and employee training. These issues along with safety and health are a fundamental responsibility for us as an employer and vital to the wellbeing of our workforce and for the efficient functioning of our operations.

Our stakeholders place importance on human resources issues particularly around gender diversity in the workforce and at the board and senior management level. Safety and health, not just in our direct operations but also in our supply chain, is an area of concern for our stakeholders as well as our own employees.

Employee relations, which was a material issue in the 2013 matrix, has been renamed as human resources this year. The issues of community development and unemployment, and women's empowerment, have also been re-framed from the 2013 analysis to reflect evolving stakeholder and Nestlé priorities.

MATERIALITY ISSUE	VALUE CHAIN				
	KEY:  Moderate  Significant  Major				
	 Agriculture	 Tier 1 Suppliers	 Nestlé	 Retail/ Business Channels	 Consumers
<b>Human resources</b>					
<p>Maintaining positive relations with employees and promoting positive working conditions (in last year's matrix, this was called Employee Relations).</p> <p><b>Sub-issues defined</b></p> <ul style="list-style-type: none"> <li>• <b>Employee benefits, remuneration, attraction, retention:</b> Providing a compensation package including fair pay, benefits and other incentives for attraction and retention.</li> <li>• <b>Employee diversity:</b> Respecting and valuing differences such as age, ethnicity, gender, physical abilities/qualities, race and sexual orientation.</li> <li>• <b>Employee engagement:</b> Promotion of a workplace where employees are committed and satisfied with their work, and are engaged in solving larger company issues.</li> <li>• <b>Employee training and learning:</b> Continuously improving performance and skills of staff.</li> </ul>					
<b>Safety and health</b>					
Targeting zero accidents in the workplace and promoting safe and healthy employee behaviours.					
<b>Women's empowerment<sup>1</sup></b>					
<p>Empowering women to participate fully in society and the economy across the value chain, in the workplace, marketplace, and community.</p> <p><b>Sub-issues defined</b></p> <ul style="list-style-type: none"> <li>• <b>Women farmers:</b> Protecting the rights of women in the agricultural labour force and improving their access to and ownership of agricultural resources and inputs.</li> </ul>					
<b>Community development and unemployment<sup>1</sup></b>					
<p>Improving people's lives through community and societal participation and improving access to employment, education and skills development.</p> <p><b>Sub-issues defined</b></p> <ul style="list-style-type: none"> <li>• <b>Community relations:</b> Positively engaging with communities in areas of operation.</li> <li>• <b>Income and wealth inequality:</b> Working to close the gap in the distribution of income, wealth and assets.</li> <li>• <b>Living wage:</b> Ensuring those in work are paid enough to maintain a decent standard of living, adequately covering the costs of food, shelter, and other necessities for oneself and one's family.</li> <li>• <b>Youth unemployment:</b> Tackling the number of young people not in employment, education or training.</li> </ul>					

<sup>1</sup> These issues have sub issues that are shared across Rural Development and Our People

## Our commitments

We shared a number of public commitments in 2012, and continue to publish our progress against them every year. They reflect the material issues of our business and help to shape our strategy for continuous improvement. This year, our commitments were to:

- Ensure all Nestlé units have basic safety and health protection systems for all employees;
- Enhance gender balance in our workforce;
- Offer 20 000 job opportunities for young people below 30 years of age at Nestlé in Europe; and
- Provide CSV, Nutrition Quotient (NQ) and environmental sustainability training for our employees.

## Governance and management systems

Our Human Resources structure is based around three dedicated areas:

- **Centres of expertise** – provide specialised services to the business;
- **Business partners** – embed HR strategies within specific areas of the business; and
- **Employee services** – provide HR support to all business functions.

Strategic responsibility for governance lies with Peter Vogt, Deputy Executive Vice President, Head of Human Resources and Centre Administration, while final accountability rests with our Executive Board and our CEO.

In 2014, our strategic priorities for personnel included:

- The implementation of dynamic people planning through embedding workforce planning capabilities to support business strategies;
- Strengthening talent pool management throughout the Group by increasing diversity and gender balance while enhancing the quality of development plans and succession;
- Reinforcing line manager accountability for managing their talent through guidance to improve career planning and transparency;
- Communicating and implementing the Nestlé Recognition Framework, developing our performance culture through the Pay for Performance system and implementing cost-effective Total Rewards strategies;
- The acceleration of the Gender Balance Journey by implementing tools and training, while redefining diversity beyond geography by developing global strategies;
- Enabling senior leaders to develop their talents and teams, supported by the establishment of a leadership curriculum aligned to the Nestlé Leadership Framework;
- Ensuring consistency with our commitment on working conditions and creating a safe and healthy working environment; and
- Living our ambition to be a leading Nutrition, Health and Wellness company (NHW) at the workplace.

We start all Executive Board meetings with a safety and health review of performance, incidents and lessons learned, and progress against key objectives.

Our Safety and Health Functional Leadership Team brings together senior safety and health professionals who meet regularly to identify priorities and share challenges, learning and good practice from around the world.

The Safety and Health Council brings together senior managers from across the business every quarter to ensure appropriate strategies and supporting programmes are developed and implemented.

Safety and health performance is tracked regularly during the year, using a combination of leading and lagging indicators. In addition, individual major incidents (for example involving an irreversible injury or serious process safety event) are immediately notified to senior management for review and follow-up.

We identify risks by analysing injury and illness data and information on major incidents. The [top risks identified](#) for our business in 2014 continue to be those set out in our [Safety and Health Roadmap towards Excellence](#).

## Our policies and standards

We ask all of our people to take pride in living by the values and principles of Nestlé, regardless of their position in the organisation. It is an approach which is supported by a number of policies, codes and principles, designed to engender mutual respect, personal development and safe working, as follows:

- [Nestlé Corporate Business Principles](#);
- [Nestlé Management and Leadership Principles](#);
- [Nestlé Code of Business Conduct](#);
- [Nestlé Policy on Conditions of Work and Employment](#);
- [Nestlé Policy on Safety and Health at Work](#);
- [Nestlé Enterprise Risk Management Principles](#);
- [Nestlé Employee Relations Policy](#);
- [Nestlé Supplier Code](#); and
- [Nestlé Human Resources Policy](#).

We continue to follow our Safety and Health Roadmap towards Excellence, with 61% of all our operations now certified to the OHSAS18001 Occupational Health and Safety standard. We will also maintain our commitment to developing an engaged, well-trained workforce, offering training and development opportunities across all levels of the business.



As well as complying with all national laws, we expect all Nestlé business entities to respect internationally recognised human rights standards set out in:

- The eight [International Labour Organization \(ILO\) Core Conventions](#);
- The [ILO Tripartite Declaration](#);
- The [International Bill of Human Rights](#);
- The [OECD Guidelines for Multinational Enterprises \(2011\)](#); and
- The [UN Framework and Guiding Principles on Business and Human Rights](#).

## Measuring and sharing our progress

Nestlé has strong, well-defined corporate values and our Recruitment Policy is designed to ensure that as well as having the right skills, new employees also fit in with this culture. The Nestlé Leadership Framework forms the basis of our recruitment process and lays out the behaviours and leadership skills expected for positions at all levels.

Furthermore, Nestlé maintains a series of programmes and schemes to allow us to keep track of our progress, together with our people. These include:

- The Nestlé Occupational Safety and Health Management System, which requires that all local sites undertake regular self-audits of their compliance with local policies and procedures;
- The Nestlé Group Audit function carries out compliance audits across the world and reviews our risk management processes;
- The Safety, Health and Environmental Sustainability – Performance Management (SHE-PM) system allows us to record and collate data on our safety, health and environment performance, as well as on lagging indicators (including injury and illness rates);
- The Nestlé Safety and Health Award sees regions compete in terms of their compliance in categories such as occupational health management, ergonomics or better working conditions through healthy activities;
- Nestlé has partnered with external body [Business for Social Responsibility \(BSR\)](#) to define living wages in each of the countries we do business in; and
- The Nestlé Environmental Management System focuses on employees by continuously improving environmentally sustainable business practices across the whole organisation.

### The 'Nestlé & I' employee engagement survey

In 2014, we carried out the new Nestlé & I survey in collaboration with our new survey partner, [Towers Watson](#). This was conducted in two phases, the first in May and the second in November, and we asked nearly 260 000 employees for their input.

The survey has 15 categories of questions and three 'key dimensions' for measures and indicators: engagement, enablement and retention. It focuses on leadership effectiveness and will provide a strong indicator of our progress in developing future leaders, in relation to the Nestlé Leadership Framework. The new survey has also been redesigned to increase insight on culture and recognition. Reward is now measured separately and contains new, additional measures regarding our employees' perception of pay and benefits. Sustainability and corporate responsibility measures have also been added.

This transformation aims to deliver a consistent global survey that is better aligned with, and more relevant for, our business. Over the course of the next three survey cycles (2014–2019), we aim to achieve:

- A 5% increase in engagement;
- A global participation rate of 90%;
- A 20% reduction in the time the survey takes to complete; and
- 100% of the reports delivered on time.

In 2014, 221 134 employees (87% response rate) responded to the first phase of the survey and we are expecting the second wave to show an equivalent response rate; the global results will be available in April 2015.

We are using the results at both a corporate and a country level. Line managers receive consolidated survey results for their team, so they can take personal responsibility and work with their colleagues to address the issues raised. Markets that participated in the first wave in 2014 have already received their country-level results and are preparing local action plans. Some of these markets are also planning to use the optional 'pulse' survey in 2015, to measure how those action plans are being implemented.

## Recognising our people

Recognising our people's contributions and achievements is important to the business and can help to motivate and inspire others. How we do this is covered in our Corporate Recognition Guidelines, which focus on the importance of ensuring that appreciation is an ongoing, everyday occurrence.

Recognition is now a key HR priority, so we established a Global Strategic Recognition Framework to drive a consistent approach that is locally relevant at each level of the organisation. This supports the findings of our internal and external research: that recognition is about enabling a culture that brings to life our corporate value of respect, in alignment with strategies and leadership behaviours. To foster a culture of recognition at Nestlé, we introduced a recognition toolkit portal as well as specific training for line managers.

## Employee volunteering initiatives

Volunteer programmes provide employees with the opportunity to engage with and assist local communities. Employee volunteer programmes can have a significant positive impact on the life of communities and of our employees, who should feel that everyone at Nestlé can make a contribution.

In 2012, Nestlé decided to foster employee volunteering initiatives based on the Nestlé Creating Shared Value pillars of Nutrition, Water and Rural Development, with a recommended focus on Nutrition, Health and Wellness (NHW). By the end of 2014, 84% of markets had employee volunteering activities, 81% of these activities having NHW components.

If a market has unique local priorities, volunteer programmes can focus on meeting other urgent needs of the local communities, by doing the following:

- Enhancing the quality of life in the communities in which we operate, responding to some of their crucial needs;
- Bringing benefits for our employees and ultimately to the Company;
- Developing goodwill and trust with local communities;
- Enhanced reputation with society at large; and
- Motivating and engaging the workforce to make a difference beyond the workplace.

The market takes full ownership of the planning and implementation of the volunteer programmes, providing the necessary human and financial resources, based on an annual budget agreed in advance. Partnering is recommended as it provides an external view which enriches and strengthens the programme.

Nestlé has global partnerships with two select organisations, which offer volunteering activities:

- [International Association of Athletics Federations \(IAAF\)](#); and
- [International Federation of the Red Cross and Red Crescent Societies \(IFRC\)](#).

Community needs should be determined jointly by the Market, the Partner Organisation and the Community. Aligning our involvement with a community's most critical needs makes the volunteer programme more effective.

## Working together with the Spanish Red Cross

Nestlé Spain has worked with the Spanish Red Cross society since 1963. In 2014, our collaborations included:

- CHF 78 195 sponsorship of a Volunteer Recruitment Campaign for TV and press, with the aim to recruit more volunteers;
- Contributions to *Alianza Humanitaria por la Alimentación Infantil*, a new Red Cross campaign that aims to provide enough food for children and their families at risk of social exclusion due to the economic crisis;
- Participation and support on Facebook for food drives for the Spanish Red Cross: 100 000 portions of infant cereals, 1 000kg of *La Lechera* condensed milk, and 500kg of *Nestlé Postres* chocolate desserts were donated; and
- In collaboration with the Spanish Red Cross, nine volunteers from Nestlé's Human Resources department conducted a CV clinic for 18 unemployed people receiving assistance from the Red Cross.

# Safety, health and wellness

All industries must deal with inherent hazards and dangers, but the significance of these hazards is increased for Nestlé by the scale of our global operations. Our aim of zero injuries and work-related illnesses is ambitious but with the help of the initiatives set out in our Safety and Health Roadmap, we will continue to move towards it. We focus resources on our employees, on visitors to our facilities, and increasingly on those who work for our partners, up and down our value chain. In a world in which significant health and safety risks exist, from the transmission of diseases such as Ebola and HIV to cultural issues related to infrastructure and education (including driving), the wellbeing of our employees is a priority. We actively invest in deploying global wellness initiatives, as we believe that a key means of reducing illness is for employees to take an interest in their own health. Furthermore, with the objective of leading by example with our Nutrition, Health and Wellness ambition, it was decided to develop a Global Health and Wellness at the Workplace approach. The strategy is under development and should be approved by February 2015.

## Safety and health management

### Our commitment



**Ensure all Nestlé units have basic safety and health protection systems for all employees**

### Our objective

**By 2016** – Ensure that robust safety and health management systems are in place, covering all employee populations so there is the same level of safety and protection across all businesses.

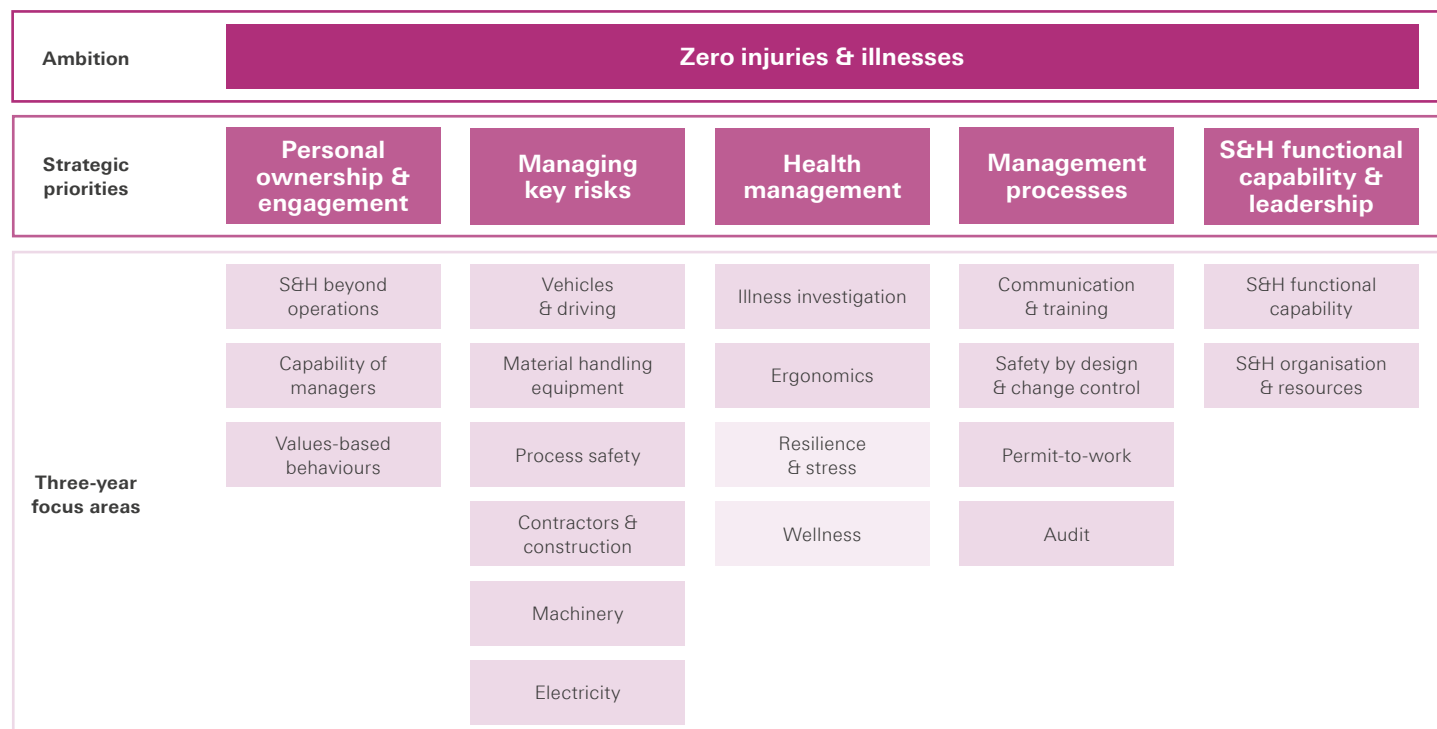
We believe that safety and health is important for everyone at Nestlé, regardless of what they do or where they work. We are seeking major improvements to our risk management and to position safety and health as a core value across the whole of our organisation.

Our Safety and Health Roadmap towards Excellence covers the period 2012–2015 and details our long-term aims and strategic priorities in this field, as well as the key areas that we want to improve. We encourage all of our individual business teams to use it and adapt it, when considering specific local priorities.

Our key aims for the business are to achieve a safe working environment for all employees and contractors, ensuring the same basic level of protection across the whole organisation. As stated by our [Corporate Business Principles](#), we are committed to preventing accidents, injuries and illnesses related to work, and to protect employees, contractors and others involved along the value chain. Long-term employee engagement is integral to achieving these goals, whether our businesses are field based or office based.

Key environmental performance indicators at a factory level are monitored using our [Safety, Health and Environmental Sustainability – Performance Management \(SHE-PM\) system](#). This tool not only allows us to record and collate data on our safety, health and environment performance, but also to carry out analysis of incident data. It helps us to identify more specific, proactive actions we can take to reduce risk. Any major incidents relating to safety, health and environmental sustainability are reported to appropriate senior management within 24 hours. An investigation is initiated immediately and, in the case of major incidents involving our sites or employees, it is overseen by a senior country manager. Appropriate corrective and preventative measures are then put in place.

## Safety and Health Roadmap towards Excellence



Our goal is zero injuries and work-related illnesses; we track our progress at achieving this by measuring them against certain key performance indicators. To help achieve this, we monitor our activities by reviewing leading and lagging indicators<sup>2</sup>.

In 2013, we enhanced our monitoring to track performance in factories, the supply chain, sales and offices separately. This data is now reviewed by the relevant management teams to understand trends and opportunities within these different areas of activity. We are also reporting this data externally for the first time for 2014 (see below).

In addition, we encourage each market and local site to supplement the Group's leading indicators with additional ones that reflect their own local priorities. Our *indicators* include:

- Percentage of Market Management Team members receiving safety and health leadership training (2014 target: 50%);
- Number of behavioural feedback sessions per person (2014 target: six);
- Percentage of machine lines assessed (2014 target: 50%);
- Percentage of markets with a health strategy (2014 target: 100%); and
- Percentage of factories and R&D sites completing Functional Compliance Assessments (2014 target: 100%).

A full list of Nestlé's performance against each indicator can be found [here](#).

At the end of 2014, certified safety and health management systems were in place for 444 factories, 119 distribution centres, 26 R&D centres, 30 offices and 30 field sales forces (2013: 442 factories, 130 distribution facilities and 25 R&D centres). The aim now is to extend the scope of existing management systems to ensure all employee populations are covered, including manufacturing, supply chain, R&D, office and sales staff. This will be achieved through the use of third-party auditors to verify implementation and certify systems to OHSAS18001.

Last year we also began to look at health and safety in the office environment, where both the risks and the levels of engagement with safety and health are very different.

### What is OHSAS18001?

BS OHSAS18001 is a framework for an occupational health and safety management system. It sets out the minimum requirements for occupational health and safety management best practice. The standard enables organisations to: create the best possible working conditions across organisations; identify hazards and implement management controls; reduce workplace accidents and illness to cut related costs and downtime; engage and motivate staff with better, safer working conditions; and demonstrate compliance to customers and suppliers.

<sup>2</sup> Leading indicators are determined by predicting future safety incidents and lagging indicators are based on safety results. Neither can be used in isolation, as leading indicators are predictive, and lagging indicators describe incidents that have already occurred.

Facilities that are not yet certified to OHSAS18001 are covered by CARE, our global external audit programme. CARE audits help to verify that all our operations comply with local legislation, the Nestlé Code of Business Conduct and the Nestlé Corporate Business Principles, including those relating to safety and health.

The Nestlé Occupational Safety and Health Management System requires that all local sites undertake regular self-audits of compliance with legal and corporate requirements, and with local policies and procedures. Our Nestlé Group Audit function complements this by carrying out compliance audits around the world and overseeing our risk management processes.

We use commonly occurring Group Audit findings to prioritise improvement projects and training. In 2014, the most common findings related to:

- Working time;
- Workplace noise;
- Incident investigation and reporting;
- Management of high-hazard tasks; and
- Legionella.

## Our safety and health performance

At Nestlé, we are always looking at ways to improve our understanding of how work is affecting the safety and health of our employees. This is reflected in the changes we made in 2013 to how we report work-related injuries and illnesses, which place a greater focus on occupational health as a way of identifying the signs of work-related ill-health earlier.

Since introducing the new system, we have seen a substantial increase in the number of recorded illnesses, which we believe is the direct result of improved recognition and diagnosis. We expect this figure to continue increasing for some years, before starting to reduce.

**Total recordable injuries and illnesses rate** (per million hours worked) (employees, on-site contractors and on-site members of public)<sup>3, 4, 5</sup>

<b>2014</b>	<b>3.98</b>
2013	4.10
2012	3.6

**Recordable Illness Rate<sup>3, 4</sup>** (per million hours worked)<sup>8</sup>

<b>2014</b>	<b>0.81</b>
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**Recordable Injury Rate<sup>3, 5</sup>** (per million hours worked)<sup>8</sup>

Group-wide target of 2.8

<b>2014</b>	<b>3.17</b>
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**Lost Time Illness Rate 2014<sup>3, 8</sup>** (per million hours worked) (by geographical zone)<sup>6</sup>

Americas	<b>0.22</b>
Asia	<b>0.24</b>
Europe	<b>1.09</b>

**Lost Time Injury Rate 2014<sup>3, 8</sup>** (per million hours worked) (by geographical zone)<sup>6</sup>

Americas	<b>2.41</b>
Asia	<b>1.16</b>
Europe	<b>3.00</b>

**Lost day rate<sup>3, 8</sup>**

<b>2014</b>	<b>40</b>
2013	40

Factories	4.37
Offices	1.99
Sales	3.41
Supply chain	4.99

**Lost Time Injury Rate<sup>3, 8</sup>** (per million hours worked)

<b>2014</b>	<b>1.94</b>
2013	1.97 <sup>7</sup>
2012	1.9

Factories	2.35
Offices	1.36
Sales	2.45
Supply chain	3.36

<sup>3</sup> Includes joint ventures.

<sup>4</sup> Recordable illnesses are those work-related illnesses that result in: medical treatment beyond first aid, restricted work, lost time, or fatalities.

<sup>5</sup> Recordable injuries are those work-related injuries that result in: medical treatment beyond first aid, restricted work, lost time, or fatalities.

<sup>6</sup> Includes three geographic zones, globally managed businesses and major joint ventures, such as Cereal Partners Worldwide (CPW), as well as R&D.

<sup>7</sup> In 2014, our internal audit process identified a number of incidents from 2013 which had not been correctly classified. The subsequent re-classification resulted in an increase in the relevant incident rates.

<sup>8</sup> Injuries and illnesses are classified and reported according to a global Nestlé standard, which is based on the US OSHA record-keeping standard.



## Fatalities

We deeply regret that in 2014, three contractors lost their lives while carrying out engineering project work on Nestlé sites (all three on-site deaths resulted from falls from height), one employee died in a traffic accident, and one member of the public died following an illegal break-in at a disused Nestlé factory.

2014 saw a reduction in the number of fatalities in our operations and we will continue to work on further reducing this figure.

### Fatalities of employees, plus on-site contractors and members of the public

**2014**
**5**

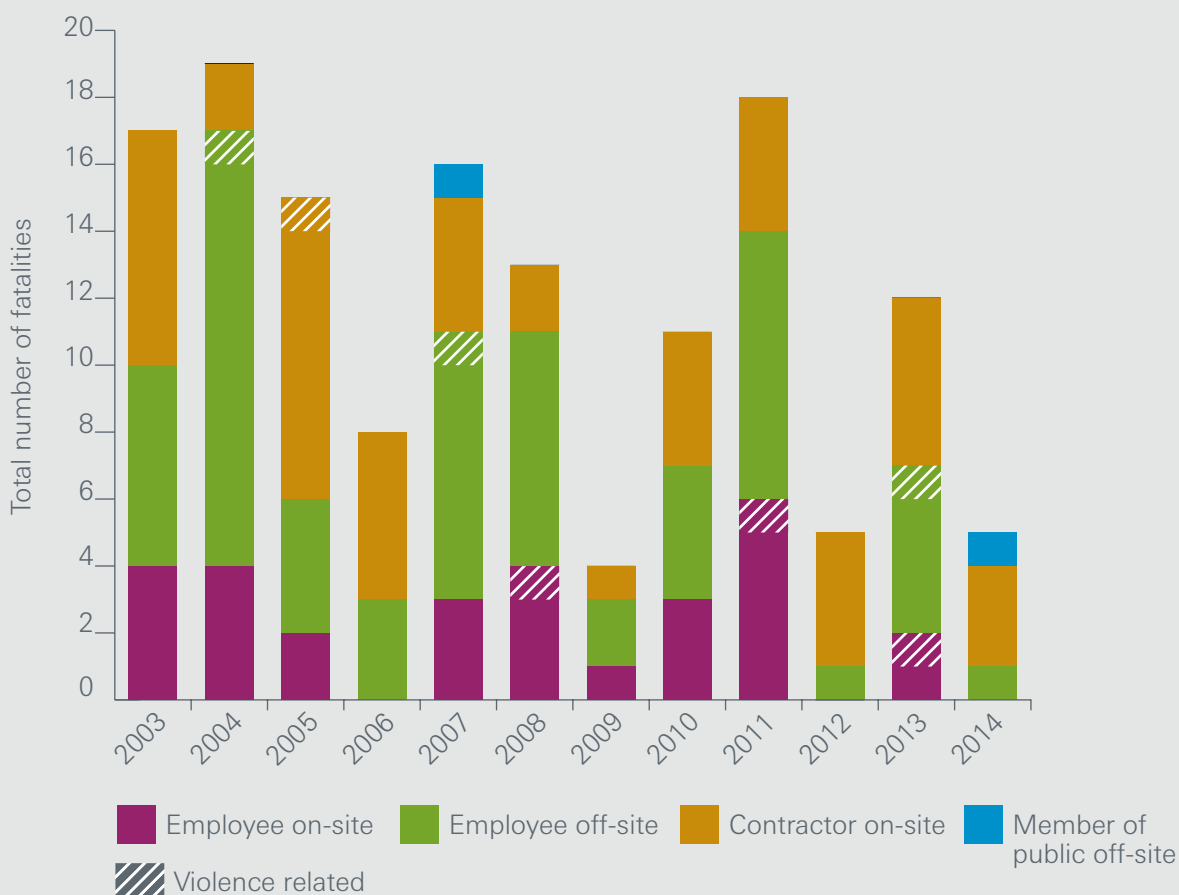
2013

12

2012

5

### Externally reported fatalities by victim status (2003 – YTD 2014)



## Managing key risks

Developing measurable ways in which we can reduce risk across the Nestlé Group is a key component of our roadmap. However, we realise that different parts of the business have different priorities when it comes to managing risk. This year, we saw improvements in three specific areas: vehicles and driving; machinery-related incidents; and ergonomics.

### Vehicles and driving

In terms of work-related fatalities, no cause is as common and preventable as traffic accidents. According to the World Health Organization (WHO) and the [Global Road Safety Partnership](#), nearly 3 400 people die on the road per day<sup>9</sup>.

Nestlé has expressed its support for the Decade of Action for Road Safety and is an active member of the Global Road Safety Partnership. We are committed to systematically improving our road safety programmes and, by doing so, progress towards our goal of zero fatalities and injuries for employees driving on company business.

We also seek to positively influence the performance of our contractors, customers, suppliers and other stakeholders. Across Asia, Oceania and Africa, Nestlé's teams are working with our third-party logistics suppliers to promote safe practices through engagement and external auditing. The activities form part of our responsible sourcing programme. By the end of 2014, we audited our third-party suppliers in Asia, Oceania and Africa, equating to 73% of our expenditure on transport and logistics in the regions. Furthermore, in 2014, we also introduced a new global process for monitoring road safety performance (kilometres driven, collisions), which provides us with monthly data by country and by business function (e.g. sales, supply chain, office staff) that is reported to and reviewed by top management.

The Nestlé Road Safety Programme incorporates safe driving committees, best practice toolkits, and the training and monitoring more than 40 000 drivers in 70 countries, as well as audit programmes for transportation suppliers. Where practical, we share data and knowledge from our road safety management system with the industry for benchmarking purposes.

### Road safety week

We celebrated the World Day for Safety and Health at Work in April 2014 with a Road Safety Week at our worldwide headquarters in Switzerland. Event included participation from employees as well as their families and was strongly supported by the executive board.

### Safe Way Right Way

Nestlé has been working hard to improve road safety in Cameroon together with the [Safe Way Right Way](#) foundation. In May 2014, Nestlé participated in the 'Safe Way Right Way' mobile campaign caravan. Nearly 1 000 people were reached by the mobile campaign, while 120 000 drivers attended education and awareness sessions that focused on: speeding; drinking and driving; driving while tired; driving while on the phone; seat belts; helmets for motorcyclists; respect for vulnerable people on the road; and periodic vehicle checks. This was followed by a conference in Cameroon in October, attended by companies including Zurich, Activa Assurances, AXA, Total and International SOS, NGOs such as AROSAF-Cameroon Road Safety Foundation, LASER International and GRSP, and government officials.

In recognition of our efforts, we received a prestigious International Road Safety Award from His Royal Highness Prince Michael of Kent in December 2014. The judging committee referred to our road safety programme as having "one of the highest standards seen in international corporations", and described it as "a world-class example of how a business should manage its occupational road risk".

### Machinery-related incidents

During 2014, Nestlé made considerable progress in this area, in response to what we felt were unacceptably high numbers of machinery-related injuries. We have introduced a more robust and systematic approach to machinery safety, with new assessment tools, which is supported by an ongoing series of regional workshops for safety and engineering professionals. In 2014, they were attended by 254 employees. By the end of 2014, we had used the new tools to assess 75% of all our machine lines.

### India – SH&E Week celebration

Safety, health and environmental sustainability (SH&E) awareness is crucial across Nestlé's operations all over the world. In India, a recent week-long celebration of SH&E was held to foster awareness of these issues. It involved the participation of approximately 2 300 people, and included the following events:

- Children's Road Safety Training (and Painting Competition);
- Launch of SIX 'Safe by Choice' Rules for Head Office;
- Unveiling Project Suraksha – Pledging for Safer Roads;
- Drivers' Training Programme for Cab Service Provider, Nestlé Fleet and Employee Drivers;
- Health Focus in collaboration with Fortis Hospital (with sessions on Lifestyle Diseases and Ergonomics); and
- Environment Day.

<sup>9</sup> Retrieved from the WHO on 17 December 2014 at [http://www.who.int/violence\\_injury\\_prevention/road\\_traffic/en/](http://www.who.int/violence_injury_prevention/road_traffic/en/)

## Ergonomics

Many operations within our industry involve repetitive manual tasks such as packing, lifting and carrying, which are the cause of a significant number of work-related illnesses. We take our duty of care to our employees very seriously and look to provide workstations that help them to avoid these injuries, as well as offering training and support to help them improve the way in which they carry out certain tasks. These areas are covered by our ErgoPro initiative, a proactive programme that is improving workplace health, leading to reduced absenteeism and higher morale.

By the end of 2014, 32 of the regions where Nestlé operates had sent one or more delegates to our training courses. ErgoPro was introduced to production, project and factory managers (about 275 people in total) while the same individuals attended technical courses at our International Training Centre. Furthermore, six webinars, which provided an introduction to ergonomics and specific solutions, were held with high attendance rates (between 20 and 50 participants).

## Workplace wellness

There are huge benefits to having a workforce that is happy and satisfied in their roles. People are more creative and productive, teams flourish, and customer satisfaction improves. This is why we actively support our employees with initiatives that help them lead a healthier lifestyle and better manage any stress and pressure they may feel at work. Our Safety and Health Roadmap has helped us to adopt a more strategic approach to promoting employee health across the business.

- **Illness investigation:** by understanding how the health of our employees is being affected by the work they do we can start to put measures in place to change the way in which they do things;
- **Resilience and stress:** by minimising the risk of work-related stress, we can help our people to develop high levels of personal resilience, leading to healthier and more satisfying lives both in and out of work; and
- **Wellness:** by encouraging our people to take an active interest in their own health and wellbeing, we can support healthy lifestyles and behaviour at the workplace, including ergonomics, and promote a proactive health culture.

In 2014 we started to track our overall sickness absence rate – in the past, this figure had been an estimate. The tracking scope is still limited and we are identifying opportunities to better collect the information and automate the process.

### Sickness absence (%)



## Encouraging work–life balance

We understand that all our employees have a life outside of work, which is why we encourage flexible working and have

developed a culture that is based on performance not presence. This strategy has been instrumental in helping us to attract and retain talented people who want to manage their time efficiently and productively.

We produce a guide on flexible working covering the potential options that are available to employees and to date, 24 countries have launched their own flexibility guidelines, which build on our Group Flexible Work Environment at Nestlé guidelines. We have also developed 'Time for You' services at Group headquarters in Vevey, Switzerland, which provides employees with services designed to make their lives easier.

## Employee wellness and disease prevention programmes

In many countries, we run diverse health initiatives to support or encourage employees to pursue healthier lifestyles, such as healthy eating and support in giving up smoking.

We have also introduced a wide range of programmes to prevent local harmful contagious and non-contagious diseases through early identification of risks and awareness sessions. Each market has a well-established programme, with an integrated safety and health strategy, demonstrating all efforts that have been made to foster a health culture that engages staff and their work–life balance.

Our initiatives, designed to help tackle local needs, include vaccinations, HIV/AIDS prevention information and care, cardiovascular and diabetes testing, and distribution of mosquito bed nets to prevent malaria. We also recognise that work-related stress, while still stigmatised in many societies and often left undiagnosed, is a significant cause of workplace illness.

We also employ occupational health professionals, nutritionists and rehabilitation experts, and encourage voluntary site champions, HR staff and colleagues to support this work.

## Recognising health and wellbeing initiatives

In 2014, 15 markets competed for the Nestlé Safety and Health Award in the Health by Choice category, based on elements such as compliance with occupational health management, ergonomics and healthy activities in the workplace. The winner was Cameroon with a long-term programme that targets the full eradication of malaria in company employees by 2016.


The programme began in 2013 with a pilot phase of 40 workers who had been hospitalised for malaria at least twice in the previous year, with the objective of 50% reduction in malaria-related hospitalisations. A reduction of 99% was achieved within the pilot group, and the programme is now being gradually extended to the entire staff. All employees and their dependants have undergone training, meaning that malaria cases saw a net decrease of 27% in 2014.

Demonstrating our commitment to healthier living in Nestlé offices, the **Good Health, Good Life** programme run by Wyeth Nutrition in Suzhou, China, and the Wellness in Action programme implemented by Nestlé Nordic were also nominated for the same award. Both initiatives involved integrated employee wellbeing initiatives, encouraging healthier living, exercise and meals with greater nutritional value.

# Labour relations

**At Nestlé we have a well-established Employee relations policy that provides the frame of reference for collective relationships with trade unions and employee representatives. Nestlé has built a culture based on the values of trust, mutual respect and dialogue. Nestlé management and employees all over the world work daily to create and maintain positive individual and collective relationships, and are expected to do so as a core part of their job.**

**As a large global company, we operate in a wide range of countries each with their own laws, rules and culture. This can sometimes prove challenging when it comes to developing good labour relations, which we see as imperative to the growth of the company. It is inevitable that some disputes will occur. We pro-actively seek to prevent labour disputes through a mixture of open dialogue, training and local and regional initiatives, which helps to strengthen the relationships between managers, employees and trade unions.**

 **For more information on labour relations, please also see our chapter on [Human Rights](#).**

## Our workforce

Our aim is to treat our people fairly and with respect, providing them with good labour conditions. In order to achieve this, Nestlé has established standards and policies that support our efforts. Our Policy on Conditions of Work and Employment sets goals and minimum requirements for work arrangements and conditions in all the countries where we operate. They have been developed in line with the International Labour Organization (ILO) core conventions, and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Despite our best efforts, it is difficult to ensure that all of our people work under the same conditions, due in the most part to local disparities in employment legislation. These challenges are varied, but can include the following: a lack of local legislation on working conditions; and the existence of local legislation that differs from our preferred conditions, to name a few. Nestlé's work in this context is driven by a commitment to respect for fair labour conditions, encouraging behaviour based on shared goals and conducting open dialogue with both our workforce and the trade unions that represent them.

### Limiting working time

Since 2012, we have been limiting working time to a maximum of 60 hours a week across our operations – including where there are no local rules or where maximum limits are higher. Across our locations, we monitor the working time of our employees according to local law, tracking and addressing issues as they arise.

In markets with legal limits above 60 hours, we have built action plans to reach these goals. The action plans focus on monitoring and tracking working time and addressing potential gaps.

### Minimum notice period

Before making operational changes that could substantially affect our employees, we provide a period of notice outlining the proposed changes. While a minimum period is specified in collective agreements in 21 countries, in others it depends on local laws. On average, the period is 42 days.

### Working conditions

While for core activities we favour permanent employees, we also use temporary employees to meet the short-term needs of the business. It is our goal that no one working at Nestlé should be subject to differences in employment conditions as a result of their employment status.

When it comes to outsourcing work to service providers, our Policy on Conditions of Work and Employment and [Supplier Code](#) clearly set out the minimum standards relating to labour standards (such as working hours and wages) and the safety and health of employees, which we expect all our service providers to meet.

### Total Rewards Policy

Our Total Rewards Policy was developed to clarify for our employees what they should expect as part of their employment package, when progressing through the business. It broadly covers:

- Fixed Pay;
- Variable Pay;
- Employee Benefits;
- Personal Growth and Development; and
- Work-Life Environment.

The Policy is designed to attract, retain and engage talented employees, and offers a common framework within which local business operations can define programmes that are competitive, meet business needs and comply with local legislation.

To support the Policy we launched the online Total Rewards Learning Centre in 2013, which is designed to enhance the skills of line managers and HR professionals when dealing with performance and rewards (including compensation and benefits).

In 2014, we also launched a Total Rewards toolkit portal, designed to help local business operations ensure that their rewards programmes are competitive, compelling, cost-effective and well understood. Already piloted in three local contexts, in June 2014 we trained all our Compensation & Benefits Managers on how to use the toolkit. We will follow up and support our markets with implementation of the toolkit during 2015.

## Delivering a living wage

In our policies, we commit to provide employees with wages and benefits that are sufficient to cover their basic needs. In 2013, Nestlé partnered with [Business for Social Responsibility \(BSR\)](#), an external expert that defines the living wage in each country where we do business, to identify gaps in how the living wage is treated across our operations. The pilot programme was deployed in Greece, Nicaragua, Pakistan, Peru, Ukraine and Vietnam, seeking to:

- Establish and validate the living wage rates (gross per annum in local currency);
- Identify all Nestlé regular and temporary employees (directly hired) with salaries below these rates; and
- Establish appropriate action plans to adjust the remunerations.

The results of the six pilots demonstrated that living wage gaps existed and saw the implementation of corrective actions. Based on the experience and knowledge gained, we have expanded the scope to focus this project in 29 countries.

We expect to have deployed it in all countries by the end of 2016.

### Nestlé UK is named a Living Wage employer

In June 2014, Nestlé became the first major fast-moving consumer goods (FMCG) company to receive accreditation as a Living Wage employer in the UK. The accreditation covers approximately 8 000 employees across Nestlé UK and its sister companies, which include Nestlé Nutrition, Nestlé Professional, Nestlé Waters and Nestlé Purina PetCare. The accreditation was achieved through close work with trade unions, representing our employees, and the [Living Wage Foundation](#). Our aim is to ensure that all people working across Nestlé UK sites will be paid the UK Living Wage by December 2017.



We are proud to be the first mainstream manufacturer in the UK to become a Living Wage employer and see this as an opportunity to be a positive influence in our sector. As a major UK employer, we know that this is the right thing to do. Not only does it benefit our employees but also the communities they live and work in."

**Fiona Kendrick, Chairman and CEO,  
Nestlé UK & Ireland**

## Collective bargaining and freedom of association

Collective bargaining is a means by which employers, and their organisations and trade unions, can establish fair wages and working conditions. The bargaining, or negotiation, has the objective of reaching a collective agreement that regulates the terms and conditions of employment. Collective agreements may also address the rights and responsibilities of the parties involved, thus ensuring harmonious and productive industries and workplaces<sup>10</sup>.

As a global company, we operate in some countries where the Rights to Freedom of Association and Collective Bargaining are not upheld. Despite the difficulties inherent in such situations and the limits implemented by local law, Nestlé respects at all times and in all places, the right of employees to meaningful and constructive discussions over issues related to working conditions and workplace environment.

In 2014, around 51% of our employees worldwide were covered by collective bargaining agreements (2013: 51%).

### Percentage of employees covered by collective bargaining agreements

2014	51
2013	51
2012	51

<sup>10</sup> Retrieved from ILO website on 17 December 2014, at <http://www.ilo.org/global/topics/collective-bargaining-labour-relations/lang--en/index.htm>



## Fostering positive relations with trade unions

We promote positive relationships throughout our policies, principles and values, seeking to ensure that disputes are settled openly and transparently. It has proven to be an effective approach.

We have continued to work closely with the [International Union of Food Workers \(IUF\)](#), developing a more open relationship and a willingness to work together to tackle labour-related issues around the world. The relationship is based around the Joint Operating Principles, launched in 2013, which include a commitment to bi-annual meetings between leadership teams from both Nestlé and the IUF leadership, as well as trade union representatives. The relationship is also supported by two working groups: one that focuses on gender equality for non-managerial positions; and the second, which focuses on working conditions.

We respect the right of our employees to engage in union activities. In 2014, 29 industrial actions took place around the world (2013: 25). The percentage of working time lost due to labour disputes, strikes and/or lockouts averaged 0.016% (2013: 0.004%).

### Number of labour disputes



### Working time lost due to industrial disputes, strikes and/or lock-outs (%)



### Working time lost due to industrial disputes, strikes and/or lock-outs (% by region in 2014)



## Nestlé Philippines

In August 2014, Nestlé Philippines was invited by the [Asian Productivity Organization](#) and the [Development Academy of the Philippines](#) to present a case study on the effective organisation of workforces. HR Director Lorenzo Ziga (Nestlé Philippines) shared information about the four sub-committees installed at the Tanauan factory:

- Creating Excellence through Communication and Training Solutions;
- Tanauan Welfare for Employees and Teams;
- Promoting Life Balance through Uniting and Nurturing Employees to Gain Excellence; and
- Our Local Community Group.

These four committees are responsible for organising employee wellbeing activities, improving communications, engaging in Creating Shared Value with the local community and seeking direct improvements in employee benefits.

## Update on the legal action by a Colombian trade union

In our [2012 report](#), we reported that a Colombian trade union, represented by the European Centre for Constitutional and Human Rights (ECCHR), was taking legal action in Switzerland against Nestlé, linking us with the murder of a former employee. A recent appeal by plaintiffs was rejected by the Swiss Federal Supreme Court in its decision published on 31 July 2014. The trade union, which has accused Nestlé of complicity in the murder of union officials in Colombia several times in the past but has never produced any evidence to support its claims, has failed to win its legal actions against the company in courts in Colombia, in the USA and at the International Labour Organization. We repeat once again, that we reject the allegations of the plaintiffs and the European Center for Constitutional and Human Rights, which are contrary to the facts. We have taken note of the decision by the Swiss Federal Supreme Court, which confirms the previous rulings by both the Court of Appeal of the Canton of Vaud and the State Attorney of the Canton of Vaud. On 18th December 2014, the ECCHR announced it would submit to the European Court of Human Rights a complaint against the country of Switzerland on behalf of the former employee's widow.

## Zero tolerance for discrimination

We have adopted stringent policies on discrimination which take a zero tolerance approach to prejudice and intolerance on any grounds, including origin, nationality, religion, race, gender, age, sexual orientation or disability. In 2014, 112 alleged incidents of discrimination in our operations were reported (2013: 92).

## Grievances about labour practices

In 2014, there were 211 grievances about labour practices filed through the Nestlé Integrity Reporting System during the reporting period. Of the substantiated and unsubstantiated cases received, 195 (92%) were closed, of which 43 (22%) grievances were substantiated and corrective action implemented.

**Status of alleged incidents of discrimination<sup>11</sup>**

Organisation has reviewed the incident	40
Remediation plan has been implemented and results reviewed through internal management processes	5
Incident is no longer subject to action (i.e., resolved, case completed, no further action by company, etc.)	27
Remediation plan is being implemented	40

**Total workforce<sup>12</sup>**

<b>2014</b>	<b>339 456</b>
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**Total workforce by region (2014)**

Europe	<b>95 606</b>
Americas	<b>110 959</b>
Asia, Oceania and Africa	<b>132 891</b>

**Total workforce by gender (2014)<sup>12</sup>**

Male	<b>190 325</b>
Female	<b>97 479</b>

**Percentage of employees by age group and gender (2014)<sup>11</sup>**

	Male (%)	Female (%)
<30	65	35
30–50	66	34
>50	67	33

**Part-time employees (by gender)<sup>11</sup>**

Male	1 850
Female	6 730
<b>Total</b>	<b>8 580</b>

**Temporary employees (by gender)<sup>11</sup>**

Male	12 140
Female	8 325
<b>Total</b>	<b>20 465</b>

**Full-time employees (by gender)<sup>11</sup>**

Average full-time employees	<b>279 225</b>
<b>Average full-time employees</b>	
Male	188 475
<b>Average full-time employees</b>	
Female	90 750
<b>% Full-time employees</b>	
Male	67.49%
<b>% Full-time employees</b>	
Female	32.50%

**Number of disabled employees<sup>12</sup>**

<b>2014</b>	<b>2 617</b>
2013	2 495
2012	3 874

Total employees by age group (2014)	Number of employees	Percentage
<30	71 197	25.50%
30–50	157 235	56.31%
>50	50 793	18.19%

Part-time employees by age group (2014)	Number of employees	Percentage
<30	1 690	19.69%
30–50	4 611	53.75%
>50	2 279	26.56%

Temporary employees by age group (2014)	Number of employees	Percentage
<30	12 695	62.03%
30–50	6 291	30.74%
>50	1 479	7.23%

<sup>11</sup> Covers Nestlé employees registered in the HR system – an average of 287 833 during 2014 (approximately 85% of all employees).

<sup>12</sup> Due to privacy regulations and the sensitive nature of this KPI, this number only reflects those countries that were able to report it.

**Total rate of new employee hires<sup>13</sup> (%)**

<b>2014</b>	<b>10.3</b>
2013	10.7
2012	11.8

**New employee hires by region 2014** (excluding temps)

Zone Americas	<b>44% (12 100)</b>
Zone Asia, Oceania and Africa	<b>27% (7 590)</b>
Zone Europe	<b>29% (7 873)</b>

**Employee turnover by region 2014** (excluding temps)

Zone Americas	<b>14% (14 333)</b>
Zone Asia, Oceania and Africa	<b>10% (7 861)</b>
Zone Europe	<b>10% (9 073)</b>

**Total rate of employee turnover<sup>14</sup> (%)**

<b>2014</b>	<b>11.7</b>
2013	11.1
2012	10.3
2011	10.8

**New employee hires 2014** (% by age, gender)

New hires	<b>27 563</b>
% New hires age <30	<b>53%</b>
% New hires age 30–50	<b>42%</b>
% New hires age >50	<b>5%</b>
% New hires: Male	<b>63%</b>
% New hires: Female	<b>37%</b>

**Expatriates at Nestlé's headquarters and central functions from emerging markets**

	<b>43%</b>
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**Local Management Committee members native to country in developing countries (%)**

	<b>56.4</b>
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<sup>13</sup> Covers Nestlé employees registered in the HR system – an average of 287 833 during 2014 (approximately 85% of all employees).

<sup>14</sup> Excludes temporary employees.

# Diversity

We believe that diversity in business is a real asset and something that should be encouraged and nurtured. A diverse workforce is more creative and more inclusive, it develops different ways of thinking and it is more reflective of the markets we serve. This is why we strive to create a business culture that provides equal opportunities for everyone and ensures people are always treated with dignity and respect. This is reflected, for instance, in our promotion of gender balance within the business and our commitment to the UN's Women's Empowerment Principles.

## Our commitment



Enhance gender balance in our workforce

## Our objective

**By 2018** – Be a gender-balanced company by creating the enabling conditions in our work environment to achieve annual increases in the percentage of women managers and senior leaders (Market management members and key roles at the Centre).

## Gender Balance Initiative

Equality in the workplace is a priority for Nestlé. We launched our Gender Balance Initiative in 2008, which helps us to increase the number of women at all levels in the organisation, as well as the number of women identified as potential successors for top-level positions.

### Weighted comparative salary ratio average by gender<sup>14</sup>

	Headcount	Male (%)	Female (%)
<b>2014</b>	<b>177 013</b>	<b>96</b>	<b>94</b>
2013	67 369	94	91
2012	45 084	95	91
2011	2 820	99	94

The initiative is not designed to set artificial quotas, but instead encourages a natural gender balance throughout the business, with an emphasis on promoting the best person for the role. We want to develop the environment, culture and leadership that provide equal opportunities for everyone. Diversity and gender balance must stay at the top of our agenda – enabling us to draw from an ever broader and larger talent pool, make better-informed decisions and deliver more robust consumer insights. The following programmes have been implemented across the company:

- Flexible work arrangements and parental support initiatives;
- Mentoring and coaching;
- Dual career support;
- Gender education;
- Networks; and
- Gender Balance business sponsors.

### Leadership positions held by women<sup>15</sup> (%)

<b>2014</b>	<b>33.7</b>
2013	31.1
2012	29.2

### Senior leadership positions held by women (%)

<b>2014</b>	<b>25</b>
2013	23
2012	19

### Total number of managers (by gender and age)<sup>17</sup>

	Total managers	Male (%)	Female (%)
<30	4 474	57	43
30–50	33 884	65	35
>50	9 142	79	21
<b>Total</b>	<b>47 500</b>		

<sup>15</sup> The scope and coverage of the employee population has been expanded. For 2013, the figure was 67 369 against 177 013 for 2014, which constitutes a 163% improvement.

<sup>16</sup> Covers Nestlé employee registers on the Human Resources system (approximately 80% of all employees).

<sup>17</sup> Covers Nestlé employees registered in the HR system – an average of 287 833 during 2014 (approximately 85% of all employees).

[Beyond the Gender Balance Initiative, Nestlé also supports women's rights in wider society.](#)

### Samata Alidu, maize grower and shea harvester, Ghana

40-year-old maize grower and shea harvester Samata Alidu lives in Gushie, in northern Ghana. She is one of 24 000 female farmers who have received training in better agricultural practices through the Nestlé Grains Quality Improvement Project. Thanks to the advice she has received from our agronomists, she has been able to more than double her production. "The impact on the community has been immense. I can now pay my children's school fees. I can now afford to sew them school uniforms. And I even have some extra income."

### Flexible work arrangements and parental support initiatives

We believe that new parents should be given the option to take time off before returning to work. This is reflected in our maternity and paternity leave policies, which are based on the relevant legislation in the countries where we operate. We offer parents work-based support, including crèches at 24 sites including head office locations, or referral services. We also provide breastfeeding rooms at 192 sites around the world, giving parents the opportunity of working flexibly on their return to full-time employment. As we continue on the journey to become a gender-balanced company, we offer education to all employees; a gender balance online education tool in Spanish was launched in 2014. We are now rolling out unconscious bias training through a network of 74 trainers around the globe. In 2015, we will expand our diversity efforts to strengthen our inclusive culture, ensuring we are leveraging the unique skills, knowledge, perspectives and experiences of our diverse workforce. We will also broaden our focus to include all major diversity groups beyond gender, including physical ability, social background and generations.

### Childcare support in Japan

In Japan, childcare support measures have been created for those on leave and those in the office. For the latter, the Nesureko House nursery opened in Kasumigaura (April 2012) and the 'Nestlé Kids Room' childcare facility in Kobe in April 2014. In terms of childcare support, two systems were launched in 2010: through one, employees on prenatal, childcare and family-care are able to work from home for up to six months; in the second, which has been taken up by more than 100 male and 50 female employees, employees are entitled to 10 days' paid maternity or paternity leave. An exclusive chatroom for female employees was also launched in June 2014, to allow members to share career development and childcare information, which currently has 400 members across Japan.

### Flexibility in Central America

To enable our people to better handle the balance between their personal and professional lives, Nestlé Central America launched its flexibility policy in 2012. This policy includes practices benefiting both male and female employees, such as:

- By 2014, **breastfeeding rooms** were introduced in 47% of locations throughout Central America. Female employees have access to a private, comfortable and appropriate space for producing and storing breast-milk.
- In 2011, the region launched its **Paternity Leave Policy**. Immediately following a child's birth or adoption, the father is entitled to two days off, and may also take one day working from home per week during the first 30 days. 50 employees have taken part to date.
- The Flexible Work Environment Policy was launched in 2012, designed to reflect our high-performance culture by allowing employees to have greater influence over when and where they work. Female employees ending their maternity leave are the group that has most benefited from this policy.

### Networks

A key component of ensuring lasting gender diversity within an organisation is creating solid links between women. Nestlé encourages the work of professional groups and committees within its companies that can collect shared experiences and develop female business leaders.

### Developing women leaders in the United States

The Women's Leadership Forum (WLF) at Nestlé Purina PetCare consists of a steering committee that oversees five business plan teams addressing relevancy, communication and talent development for women leaders at Nestlé Purina. It broadens the reach of mentoring, as well as business development with the Network of Executive Women and Purina's retail customers. All 180 members meet annually at the organisation's Strategic Planning Meeting.

Furthermore, in 2014, Nestlé became a Foundational Sponsor of the [Network of Executive Women \(NEW\)](#) organisation, which delivers business results through new and existing retail partnerships. This partnership led to the co-facilitation of the first networking event, with 50 women from across the Nestlé operating companies in the US at NEW's Leadership Forum in Atlanta. Other successes seen by WLF include five networking development sessions and a wellness step-into-action programme.



### Diversity recognition in France

In October 2014, Nestlé in France was recognised as the Most Inclusive Employer at the [European Diversity Awards](#). The company signed the first Disability Group Agreement in the French Food Industry, a commitment to ensure equal opportunity at the workplace for disabled people and to enhance Nestlé employees' alignment with company values like solidarity, inclusion and non-discrimination. Gender Balance Initiative is showcased on the [Catalyst Practices webpage](#).

### Gender Balance business sponsors

To ensure the Gender Balance Initiative is implemented, each market and business has identified a business sponsor (not a Human Resources person and typically a Business Management Committee member) who will ensure Gender Balance is embedded throughout the organisation. Embedding happens through a local steering committee where priorities are set and continued progress is tracked. We have also developed initiatives to promote training and professional development for women, which are in line with the [UN's Millennium Development Goals](#). These are designed to help overcome some of the challenges women face, such as limited financial resources, knowledge gaps and access to credit and lending. Furthermore, we have launched unconscious bias training for leaders and human resources professionals, and there are now 74 trainers in this area across our global markets.

We are also working towards greater representation of women on our management teams. By 2018, we will have the conditions in place to achieve annual increases in the percentage of women managers and senior leaders. These will take the form of working systems established to enable gender balance in Nestlé's management to occur naturally, through a rigorous succession planning process, clear development plans and the global roll-out of unconscious bias training for leaders. In 2014, 33.7% of our leadership positions are held by women (2013: 31%). This puts us on track to achieve our 2018 commitment.

### WiN initiative, France

WiN France for Gender Balance is an Employee Resource Group (ERG) for the promotion of gender balance within the market. The network is open to men and women interested in gender diversity and willing to invest time to change culture and mindsets. The network provides a platform for sharing through a quarterly newsletter (WiNNews) and internal communications channels, as well as events and workshops. WiN France is led by a steering committee of business and function leaders, which identifies, drives and supports priority actions aligned with the Gender Balance Initiative priorities. Since its launch in 2012, WiN France has over 200 members, who meet in small groups on a monthly basis to discuss issues such as personal development, networking and gender communication differences. The whole group meets once a year.

### Total number of employees that were entitled to parental leave, by gender

<b>Men</b>	
<b>2014</b>	<b>178 184</b>
2013	175 745
2012	168 335
<b>Women</b>	
<b>2014</b>	<b>89 155</b>
2013	85 879
2012	80 412

### Total number of employees that took parental leave, by gender

<b>Men</b>	
<b>2014</b>	<b>1 532</b>
2013	1 737
2012	1 278
<b>Women</b>	
<b>2014</b>	<b>2 577</b>
2013	2 508
2012	2 025

### Total number of employees who returned to work after parental leave ended, by gender

<b>Men</b>	
<b>2014</b>	<b>1 506</b>
2013	1 715
2012	1 249
<b>Women</b>	
<b>2014</b>	<b>2 254</b>
2013	2 208
2012	1 817

**Total number of employees who returned to work  
after parental leave ended who were still employed  
12 months after their return to work, by gender**



**Return-to-work and retention rates – Women (%)**



**Return-to-work and retention rates – Men (%)**



# Developing talent

A skilled and knowledgeable workforce is a key factor in the long-term success of our business. We champion the idea of life-long learning, and offer a whole range of development opportunities covering all aspects of Nestlé's work, and pitched at all levels. Training solutions range from e-learning tools to face-to-face tutorials, and to meet the specific needs of factory-based employees, we supplement workshop sessions and e-learning modules with posters, activities and information they can take home to their families. During the past year, Nestlé has increased training per employee, from 23 hours to 29 hours per year. The international nature of our business has proved to be a major attraction for employees. With 442 factories in 86 countries, we offer a wide range of opportunities for employees to work abroad, varying from short-term project assignments to long-term expatriation. Achieving a positive reputation for training and career development improves our ability to recruit and retain talent.

## Training our people

### Our commitment



Provide CSV, Nutrition Quotient (NQ) and environmental sustainability training for our employees

We care about our people and Nestlé aims to provide training and education that has a positive influence on their day-to-day lives. We want to ensure our employees have the knowledge and capabilities they need to carry out their roles, and the opportunity to learn and develop new skills.

The diversity and different skills of our global workforce are brought together at our International Training and Conference Centre at Rive-Reine, in Switzerland. As well as providing training courses, the centre is a meeting place for Nestlé employees from all over the world, offering them the chance to learn about business and best practice from different cultures. Around 2 500 employees are trained at Rive-Reine each year. The percentage of female trainees continues to rise, and now stands at almost 50% of participants.

The training we offer is designed to help our employees develop their careers and achieve the key business goals set out in the Nestlé Strategic Roadmap. Our training programmes are constantly being revised and enhanced based on our changing business needs, and are delivered by a mixture of internal and external training providers, as well as through a wide variety of e-courses.

One example is the new global course on the Code of Business Conduct. This online training course will be taken by all new employees within six months of their arrival in the company, and all employees will take this course every three years. Other key e-learning examples are: the Nestlé Corporate Business Principles, Human Rights in our Business Activities and Legal Brand IP. Throughout 2014, we continued to roll out our new IT-based Global Learning Management System, iLearn@Nestlé, which allows employees to manage their own development and helps Line Managers to track their teams' overall development. A total of 36 markets went live with iLearn@Nestlé in 2014, and the remaining 19 markets will be live by the end of 2015.

Our Reference Guides for both Leadership Development and Education and Training (E&T), integrated in the Nestlé Continuous Excellence framework, remain well received, and provide Leaders and Senior Leaders, our Heads of Training, Factory E&T Pillar Leaders and Function E&T Pillar Leaders with 'living' guidelines to help them develop the necessary learning and leadership skills that will meet the needs of staff and benefit our business.

### Average hours of training per year per employee

2014	29
2013	23
2012	10

### Average hours of training per gender in 2014<sup>16</sup>

Female	27.6
Male	19.3

The 2014 figure is significantly higher than the 2013 figure, due to the roll-out of a new Learning Management System, which covers 85% of employees in the HR system.

### Our objectives

**By 2014** – Creating Shared Value is fully embedded in all courses at our international training centre in Switzerland (reaching approximately 3 000 current and future leaders annually), e-learning designed and made available to all employees and a new leadership course piloted.

**By 2015** – For Nutrition Quotient (NQ) training, our company-wide commitment is to have all Nestlé employees trained at least once on the NQ Foundation Module by the end of 2015, including an e-learning module.

**By 2016** – Strengthen our ability to meet our commitments through environmental awareness sessions for our employees. Environmental awareness training will be run in all countries by 2016.

<sup>16</sup> Covers 52.9% of all employees

## Developing Employee Relations capabilities

Nestlé maintains a network of more than 60 professionals around the world, comprising our global Employee Relations (ER) community. Initiated in 2009, corporate ER began by identifying those individuals in each business market that were responsible for ER topics; the majority of those identified worked in industrial relations. In the intervening six years, the role of these experts has evolved significantly: they are now not only responsible for labour relations but also for the implementation of the Policy on Conditions of Work and Employment, among other areas directly affecting employee trust and engagement.

In 2014, we identified the critical capabilities for success and described each one as specific behavioural indicators so our Employee Relations colleagues know what they need to deliver day to day. To support their development in these capabilities, we have built a comprehensive learning curriculum using a 70/20/10 approach<sup>17</sup> to development and will launch a global learning programme in 2015 focusing specifically on these behaviours.

## Learning about Creating Shared Value

Our challenge is to balance the need to engage people in Creating Shared Value (CSV) to enable them without overloading them.

We begin by building CSV into our management training to maximise capability and understanding at leadership levels. CSV is now firmly embedded in all courses run at both our international training centre and across all zones – reaching around 2 500 current and future leaders a year. Senior Managers have the opportunity to attend the Prince of Wales Business and Sustainability Programme at Cambridge University, and we have developed a bespoke sustainability training solution to answer the needs of Nestlé leaders, which is currently delivered at our International Training Centre and will be deployed globally.

As a leading Nutrition, Health and Wellness company, we provide engaging nutrition training that is based on the most up-to-date public health priorities, called Nutrition Quotient (NQ) training, to all Nestlé employees – regardless of their work site and working conditions. Our aim is to help our people make informed decisions about their own nutrition, that of their family and the nutritional needs of our consumers. The aim of this [training programme](#) is to ensure Nestlé employees have a good understanding of nutrition and also empower them to use this knowledge in their work as well as with family and friends outside of the workplace. More than 310 833 employees have completed Nutrition Quotient training since the programme was launched in 2007. In 2014, 51 113 people received refresher training (2013: 108 083).

## Environmental awareness

We are also developing our environmental awareness programmes to foster a continuous improvement culture towards more environmentally sustainable business practices. One of our new training programmes in 2014 was the Environmental Sustainability Leadership Workshops – Train the Trainer (TTT). The TTT workshops, organised in each zone, enable the deployment of environmental awareness training and education to all employees. A 30-minute online training course on Environmental Sustainability at Nestlé is available to all Nestlé employees. Read more about engaging with our employees on environmental awareness in [Environmental sustainability](#).

### Number of countries where training sessions were held

2014

86

## Developing our people

Our employee development strategy is designed to help employees gain the competencies and leadership capabilities they need to contribute to the success of the business as well as develop their own careers. Different development actions have different levels of impact. Nestlé believes that effective development should be through 10% formal education, 20% through relationships and 70% through practical experience. Fostering development plans that embed the effective 70/20/10 approach is key to building long-term, robust capabilities.

Recruiting and developing local talent with local knowledge is also crucial to the success of the business, especially in developing countries where the proportion of native employees at management levels lags behind that of more developed countries. In 2014, 56% of Local Management Committee members in developing countries were native to that country (2013: 52%).

## Employee Job Success Profiles

Our Job Success Profiles detail what success looks like for a particular role, and they help employees to understand what they need to do to succeed, as well as identifying opportunities for development in functional and leadership capabilities.

The profiles are published at corporate and local levels and on the intranet, along with information about possible career paths (within certain functions). They play a key part in the company's personal development process. For operators on the factory floor, we use a tailored skills matrix to track individual learning and development needs.

<sup>17</sup> The 70/20/10 model, developed by the Center for Creative Leadership (CCL), is based on the concept that "lessons learned by successful and effective managers are roughly: 70% from tough jobs; 20% from people (mostly the boss); and 10% from courses and reading."

## Promoting lifelong learning

Nestlé's Progress and Development Guide is at the core of our commitment to promote life-long learning. It gives structure to the discussions between employees (approximately 100 000 white collar employees) and line managers about future career aspirations. Each employee development plan includes a variety of actions that promote learning:

- **Experiential development** – job rotations, special assignments, live projects;
- **Relationship-based development** – mentoring, networking; and
- **Classroom-based development** – training, e-learning, conferences.

The plans are reviewed annually and designed to be flexible so that they take into account changes in career paths and new opportunities.

## HR Business Partner Capabilities

Human resources priorities can only be successfully executed if our people have the right capabilities to deliver. We know that increased capability drives results. It is therefore appropriate to continue our focus on strengthening the capability of our global human resources community, which was set as a key corporate priority in 2014. With the input of several markets and businesses, we built and launched the first ever Nestlé Human Resources Business Partner (HRBP) Capability Framework.

At its core, the framework explains, by way of a new competency model, what is essential for our HRBPs to lead our business. The framework also provides guidance on practical ways that HRBPs can build their capability in each of the competencies, applying the 70/20/10 development philosophy. For 2015, regions are encouraged to analyse and implement appropriate development actions for their HRBP community.

## Succession planning

Succession planning helps us to provide a healthy supply of talented people to meet our future business needs. It also ensures we make the most of the talent we have by promoting people on the basis of competence, performance and potential. Having clarity on what roles people have been nominated for also allows us to take appropriate development actions to ensure people are prepared for that potential next move from a capabilities perspective.

Succession planning also provides opportunities to promote gender balance and diversity, particularly at more senior levels. In each succession plan, especially for key positions, we consider at least one woman for the role.

In 2014, we filled 74% of key positions through succession planning (2013: 75%). About 8 100 people have now been identified as potential successors for key Nestlé positions across the organisation.

## Developing managers and leadership

Developing leaders at all levels who inspire trust is vital to Nestlé's future success. It reflects a commitment to creating an environment in which leadership can develop and flourish everywhere in the organisation. A key driver of this is authentic and transparent communication and feedback, which creates greater engagement and enablement. Our employees are supported by a number of tools and practices, to be used appropriately when executing their roles.

Our portal, **me@Nestlé** has a section specifically aimed at providing line managers with the information and support they need to build successful teams and maintain Nestlé's reputation as a great place to work.

The **Line Manager Portfolio** is an interactive tool supporting people leaders to inspire trust by taking timely and correct decisions that reflect Nestlé values.

Our **Nestlé Leadership Framework** has been strengthened in response to feedback through our [Nestlé & I survey](#), by identifying competencies at three different levels (All Employees; Leaders; and Senior Leaders) to help us target development initiatives at the right levels to drive our business. We have also developed a new training core curriculum around the Nestlé Leadership Framework.

The **Leadership Curriculum Catalogue** brings together all Nestlé leadership courses in one place for the first time. It acts as a guide to help employees plan their personal leadership development journey. Organised around the three levels of the Nestlé Leadership Framework, it provides local, regional and global options as well as external recommendations. For example, as well as local training, the employee's learning journey is supported through the Nestlé International Training and Conference Centre, Rive-Reine, and externally by learning institutions such as [IMD](#) and [Cambridge University \(The Prince of Wales's Business & Sustainability Programme\)](#).

We also run two key programmes in collaboration with the London Business School, each attended by more than 400 participants in 2014:

- **Leading the Nestlé Way Programme** is aimed at our senior leaders and gives them the skills they need to inspire our employees and create a working environment where people can thrive; and
- **The Nestlé Leadership Programme** helps our managers to develop the skills they need to motivate their teams and help maintain Nestlé's strong performance culture.

**The Leadership Development Reference Guide for Markets** was launched, in line with our Nestlé Continuous Excellence initiative, and helps our Leadership Development Pillar members to ensure there is a common and aligned framework for leadership development across the company.



## Responding to international dual career relationships

The international nature of our business has proved to be a major attraction for employees. With a presence in more than 120 countries and approximately 2 633 expats, we offer a wide range of opportunities for people to work abroad, varying from short-term project assignments to long-term expatriation. In 2011, we were prime movers in establishing the [International Dual Career Network](#) in collaboration with 70 other company members, an initiative that recognises that many expatriate employees are in dual career relationships, with partners who also value their careers and may not wish to relocate. The network helps our people's partners continue their careers by providing job search and career information relevant to where they have relocated, and ultimately helps us retain the best people.

The International Dual Career Network (IDCN) has now become an independent non-profit association, dedicated to facilitating the job search of IDCN member spouses and aspiring to further expand the network globally. Nestlé continues to commit to IDCN by:

- Providing the Chairperson of the board of IDCN;
- Leading six out of 10 Networks, meaning local Nestlé operating companies manage the Network in their respective country; and
- Providing office space and logistics support to the Global IDCN Coordinator (non-Nestlé employee).

## Employee mentoring and coaching

Mentoring and coaching is supported throughout the business and we encourage all our staff to share their experience and insights with other employees. Our corporate mentoring programme pairs mentees with a senior leader for 18 months, and also helps to build the careers of our leaders as part of their own professional development.

As part of our HR priorities, more than 31 markets launched local mentoring programmes by the end of 2013.

## Youth employment initiative

### Our commitment



**Offer 20 000 job opportunities for young people below 30 years of age at Nestlé Europe**

### Our objective

**By 2016** – Nestlé will hire 10 000 young people and 10 000 trainees or apprentices below 30 years of age in Europe, to help tackle unemployment in this age group.

## Nestlé needs YOUTH

Youth unemployment remains a major issue in Europe, with one in four young Europeans – about 5.6 million people – out of work. To address this problem, and help Nestlé to continue to attract the young and talented people that we need to develop and grow, we announced a three-year plan, the Nestlé needs YOUTH programme, in Athens in November 2013.

The programme was launched across all European markets in 2014 and delivers a mixture of jobs, apprenticeships and traineeship opportunities across all areas of the business, from the factory floor to business managers. It is aimed at all young people, from those with vocational skills to newly qualified graduates.

## Alliance for YOUTH

To have an even greater impact, we encouraged our business partners and the 63 000 European suppliers we work with to offer jobs, apprenticeships and traineeships to young people by formally notifying them of the Nestlé needs YOUTH programme.

Their response enabled us to create the Alliance for YOUTH in June 2014, mobilising companies that are determined to play a positive role in helping to tackle the youth unemployment crisis in Europe. Around 200 companies from all over Europe had joined the initiative by the end of 2014, pledging to create more than 100 000 opportunities for young people in the coming years.



### Alliance for YOUth

In June 2014, Nestlé launched Alliance for YOUth to mobilise companies that are determined to play a positive role in helping to tackle the youth unemployment crisis in Europe. Around 200 companies from all over Europe had joined the initiative by the end of 2014, pledging to create more than 100 000 opportunities for young people in the coming years. Alliance for YOUth is the first pan-European business-driven movement pledging to help young people be better prepared to enter the professional world and improve their chances in a challenging job market.



The Alliance for YOUth is the first pan-European business driven movement pledging to help young people be better prepared to enter the professional world and improve their chances in a challenging job market.”

**Laurent Freixe, CEO, Nestlé Europe**

The initiative was launched across the European countries in which we have a presence, and was adopted by our local operations to prepare for future personnel and current business needs.

#### Greece

In Greece, three different programmes were deployed: the ‘Follow the Sun’ project was launched to boost Nestlé’s presence in tourism sites; the ‘Impulse Boost Plan’ saw young people taught how to promote our ice cream business; and the *Nescafé Dolce Gusto* project gave participants the opportunity to sell *Dolce Gusto* in electronic shops.



The criterion for the selection of candidates is primarily their compatibility to the needs of the position. The most important success factors are, however, personality, willingness to learn, their ability to collaborate, dynamism and their passion for goal achievement.”

**Polly Kiouri, Human Resources Director, Nestlé Greece**

#### Italy

The San Pellegrino campus was established and was extended to launch three initiatives:

- The **Sanpellegrino Campus Award** (started in 2011) aims to promote awareness about mineral water and its value in terms of hydration, sustainability and culture. In 2014, we received more than 1 000 research projects and involved more than 20 000 students. The best thesis categories were: Water and Wellness; Environmental and Economic Sustainability; and Made in Italy. Three scholarships and three internships were awarded.
- **Sanpellegrino Meets University** is designed to share business experiences with students and universities, engaging them in the importance of mineral water. This initiative involved six universities and more than 500 students with expert talks, ad hoc workshops and factory visits.
- **Sanpellegrino Sales Campus:** 30 talented young people had their first work experience in sales, combined with an intensive classroom programme. In a six-month programme, these trainees gained direct on-the-job experience and developed their soft skills while achieving great results for the business. The experience has clearly contributed to the employability of these trainees: by the end of 2014, 87% of them had already found a new job opportunity within Nestlé and outside.

The initiative has met with success, with Nestlé Italy winning an award in June, 2014. *Repubblica degli Stagisti*, an online youth employment portal that annually recognises employment practices to help young people find work and kick-start their careers, awarded the Nestlé needs YOUth initiative the prize of best youth employment project.

#### France

In France, where opportunities will be extended to 3 000 people, CV workshops were started in October at Nestlé headquarters in Noisel. The workshops have been well attended, and are held on the first Wednesday of each month. Professional volunteers, both with human resources backgrounds and others, provide advice to young people on their CV and interview preparation, as well as guidance on educational or professional orientation. A joint event was held in November at Noisel with AXA, a partner in the Alliance for YOUth, which more than 100 people attended.

### Other countries

Another initiative deployed in **Spain** was a professional orientation programme with the intention of helping to find work for unemployed children of Nestlé employees. The programme, which was organised and held at Nestlé's headquarters in Barcelona, saw 40 unemployed young people participate in self-assessment activities on their skills, knowledge and expectations. We plan to repeat this initiative in other parts of Spain where the company is present.

Furthermore, Nestlé's Youth Employment Initiative, as well as its Gender Balance practices and flexible working opportunities, were recognised in **Portugal** by *RH* magazine with the RH Prize for Excellence.

Nestlé's attractiveness as an employer in Europe was also underlined by recognition in the Czech Republic as the 8th most desired employer for university students. Nestlé has been recognised as one of the "World's Most Attractive Employers" according to [Universum's 2014 ranking](#), a survey based on business students' and engineering students' preferences. Nestlé was ranked 20th by business students and 31st by engineering students. Both results are highly competitive when compared with other companies in our industry.

### Pan-Europe

As part of its offer of work opportunities, Nestlé has built its North–South solidarity programme, in which students from southern European states are offered the chance to take part in apprenticeships or traineeships in operations in other parts of Europe. These opportunities, which are organised in conjunction with local governments and employment offices, enable young people to receive in-depth training both in the field in which they are to work and also the language spoken in their host country (if required). For the **Germany–Portugal/Spain** wing of this project, five students were offered the chance to work in Nestlé factories in Mainz, Hamburg and Singen. The project is also being conducted between **Greece** and **Switzerland**, **France** and **Italy**, and **Portugal**, among others.

The commitment to preparing young people for their lives in the workplace also stretches to readiness for work initiatives, which include CV clinics and interview practice. In 2014, 1 677 of these initiatives were held, mobilising more than 5 652 Nestlé employees.

### Total of young people helped to find a job or apprenticeship/traineeship opportunity

2014 **11 832**

### Regular and temporary employees hired in 2014

2014 **7 690**

### Trainees and apprentices

2014 **4 142**

### Global Youth Initiative

At the 2014 [CSV forum](#) held in Lausanne, Switzerland, CEO Paul Bulcke announced the launch of Nestlé's Global Youth Initiative. The global extension of this initiative focuses on implementing or strengthening existing apprenticeship and traineeship programmes, and on enhancing 'readiness for work' activities (participation in job fairs, open days, CV clinics, etc.) in all markets where we operate.

# Appendix

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# Notes on transport and distribution data

The criteria and methodology used in the calculations of all the transport and distribution data is as follows:

## Gaps/exclusions:

- Only the transport of finished goods is covered in the environmental reporting. Transports from suppliers to our factories for raw and packaging materials are not covered.
- The transport reporting includes a) International transport, b) Primary transports from factory to distribution center and c) Secondary transport from distribution center to customer.
- Coverage of 60% of tonnage despatched to customers, extrapolation to full scope of Nestlé.
- For transportation, standard fuel consumption factors per km per vehicle are taken and not real consumption.
- The major part of the transportation is outsourced and only a relatively small part of the transportation is done with our own fleet vehicles. Currently, our reporting doesn't distinguish between own and third party transport and we cannot clearly separate Scope 1 and Scope 3 emissions from transport. A similar situation is for warehousing, where a large part of warehouses is outsourced. We estimate the complete CO<sub>2</sub>-emission for own and outsourced warehouses, but cannot clearly separate between Scope 2 and Scope 3 emissions from warehousing.
- Due to different extraction methods per market for the base data, the data quality is different by market. A validation is done by cross-checking with earlier reports and any significant year-on-year variations must be explainable.
- We are not covering completely our ocean transports.

## Methodology used to calculate data in the transport section:

- We have a yearly reporting by market on transport activities and warehousing.
- The coverage is for own fleet and outsourced transports.
- Every transport lane is captured with distance, number of shipments per year, transport mode and vehicle type, yearly tonnage.
- For road transport, standard fuel consumption rates (lt of fuel per 100 km) for a set of predefined vehicle types are used for calculating the overall fuel used. Fuel consumption is then converted into CO<sub>2</sub>-emissions using DEFRA emission factors per litre of fuel consumed (diesel or petrol).
- CO<sub>2</sub>-emissions for train, sea, combined (road-rail transport) are based on standard CO<sub>2</sub>-emission factors per tonne/km, defined per transport mode.

- In transportation, we cover around 60% of the overall tonnage distributed. An extrapolation to cover the full despatched volume is done by extrapolating the average CO<sub>2</sub>-emissions per tonne of product separately by geographical zone and for the Water business. This approach is taken as within a geographical Zone and within the Water business the average CO<sub>2</sub>-emissions per tonne of product are representative.
- For warehousing, every market is reporting the number of pallet spaces per warehouse type (ambient, temperature controlled, chilled, negative temperature). A yearly default energy consumption per pallet space by warehouse type is applied to calculate the yearly energy consumption for warehousing per market. Markets can overwrite the default energy consumption rate with real consumption rates when available. As an approximation, all energy consumption is assumed to be electricity. By applying a factor for indirect CO<sub>2</sub>-emissions per kWh consumed per market, the CO<sub>2</sub>-emissions for warehousing per market are estimated.
- The extrapolation from the 60% of tonnage covered to the full scope of Nestlé is done – as for transportation – based on CO<sub>2</sub>-emissions per tonne of product, extrapolating separately by geographical Zone and for the water business.



# Bureau Veritas' Independent Assurance Statement



## To: The Stakeholders of Nestlé S.A

### Introduction and objectives of the engagement

Bureau Veritas has been engaged by Nestlé S.A. (Nestlé) to provide independent assurance over the Nestlé in Society: Creating Shared Value and Meeting Our Commitments Report 2014 (the CSV Report) published in hard copy and online PDF on the [Nestlé website](#). The aim of this process is to provide reassurance to Nestlé's stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business. The CSV Report has been self-declared to comply with the 'in accordance – comprehensive' requirements of the GRI G4 Guidelines.

### Scope of work

The scope of work included a review of CSV activities and performance data over the reporting period January 1st to December 31st 2014. Specifically, this included:

- i. Statements, information and performance data contained within the CSV report;
- ii. Nestlé's process for determining material aspects for reporting and the management approach to material issues; and
- iii. Nestlé's reported data and information as per the requirements of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, as indicated in the GRI index on [page 248](#).

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2<sup>1</sup> assurance. We applied a **moderate**<sup>2</sup> level of assurance.

<sup>1</sup> Type 2 Assurance: an engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality and Responsiveness and verifies the reliability of specified sustainability performance information (AA1000AS (2008) Standard). For further information see [www.accountability.org/standards/aa1000as/](http://www.accountability.org/standards/aa1000as/)

<sup>2</sup> All relevant text was supported by interview evidence as a minimum, and supported by corroborating interview evidence or another source wherever possible. A moderate level of assurance is commensurate with "limited" assurance as defined in the ISAE3000 (2003, rev2008) assurance standard.

### Opinion and commentary

On the basis of the scope of work, nothing came to our attention to suggest that:

- the account of Nestlé's CSV activities and performance during 2014 and presented in the CSV Report is materially misstated;
- Nestlé does not adhere to the principles of inclusivity, materiality and responsiveness as per the AA1000 Accountability Principles Standard 2008.

Any errors or misstatements identified during the engagement were corrected prior to the CSV Report being published.

For our detailed methodology which explains the work undertaken to inform our opinion, please see '**Methodology**' below.

### Positive Developments

We are pleased to observe progress in the following areas:

- The roll out of the Rural Development Framework as a pilot in three countries demonstrates Nestlé's commitment to addressing the challenges faced by rural communities that produce the essential commodities which the business relies upon.
- Nestlé continued its emphasis on collective action as key to addressing some of the most pertinent CSV issues by engaging in multi-sector and sector-specific platforms. Nestlé is sharing learning and experiences with other businesses which demonstrates a desire to achieve tangible positive results across the sector.
- Nestlé's *Nespresso* has undertaken a review of the AAA program 10 years after it commenced to test the impacts of its rural development focus to contribute to formulating its ongoing strategy. This is good considered practice validation and assessment of its management approach.
- Nestlé has elaborated on the results of its annual materiality analysis and has commissioned an independent study to evaluate the commercial relevance of its material issues.
- Nestlé has made progress with the accountability of its commitments this year at both the functional and Executive Board level. Also, formal systems for tracking performance against each commitment are established.

### Key observations and recommendations for 2014

- Reporting on the Rural Development pillar of CSV is still largely based on case studies where performance is measured and reported using KPIs that evaluate the outputs of the programme. Measuring the impacts of CSV activities still remains a challenge and Nestlé should focus on developing a methodology to quantify the tangible benefits of its projects.

- Some information on the governance of material CSV issues is provided in each relevant section of the report. Nestlé should consider reporting the key topics and outcomes of its external advisory groups such as the CSV Council and the Nestlé Nutrition Council, or include external commentary from the council members in the report to communicate on emerging CSV issues
  - Additionally, further information could be communicated to stakeholders on how governance over these issues extends beyond the corporate entity to the end markets, and also to other entities such as Joint Ventures and newly acquired businesses.
- Nestlé made three new commitments for this reporting period in relation to marketing to children, business integrity and compliance. Whilst this has closed a gap between the outcomes of the materiality process and the development of commitments, Nestlé should ensure that all material issues of high concern to stakeholders and of high impact upon the business are adequately represented by its commitments.
- With the relevant high materiality status assigned to traceability and responsible sourcing, Nestlé should consider reviewing its internal reporting for responsible sourcing to produce more timely data that aligns with the CSV reporting period. In addition, Nestlé should consider enhancing the reporting process to reduce reliance on estimations as much as possible.
- There is a significant focus on research and innovation which will ultimately provide the products that will drive Nestlé's business model from food and beverage to nutrition, health & wellness. Nestlé should consider including more detail of these research and innovation activities in its reporting. This could include associated emerging issues such as patents, animal testing and clinical trials.

## Findings and conclusions concerning adherence to the AA1000 principles of Inclusivity, Materiality and Responsiveness, and specified performance information

**Inclusivity<sup>3</sup>** – At the global level, Nestlé's on-going programme of stakeholder convenings involving NGOs, government, academia and investors, continues to provide the business with valuable stakeholder insight on its CSV strategy and activities. At a local level, Nestlé Waters is leading the way with the roll out of its community engagement programme as part of its water stewardship approach. Overall, there is scope for Nestlé to improve its active engagement with consumers on CSV issues, as this important stakeholder group is currently under-represented. Nestlé should also consider direct engagement with local stakeholders – as opposed to global stakeholder group representation – to capture issues and feedback at this level.

<sup>3</sup> **Inclusivity** is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

<sup>4</sup> **Materiality** is determining the relevance and significance of an issue to an organisation and its stakeholders.

<sup>5</sup> **Responsiveness** is the extent of an organisation's response to stakeholder issues and is realised through decisions, actions and communication with stakeholders.

**Materiality<sup>4</sup>** – Nestlé has further strengthened its materiality determination process this year, to enable better disclosure of the level of impact of each material issue along the value chain, and has subsequently commissioned an independent study to quantify the relevant economic impact of these issues in terms of revenue, cost structure and reputation. As the business model evolves towards nutrition, health and wellness, some new relevant topics, and potentially material aspects, will emerge. Nestlé should ensure that such topics and aspects are captured in its process.

In the prioritisation of material issues, Nestlé should consider incorporating regulations and compliance requirements in the materiality scoring criteria for aspects that require continuous monitoring, robust management and regulatory reporting.

**Responsiveness<sup>5</sup>** – Nestlé remains responsive to stakeholder concerns through its CSV report and it is encouraging to see that the key recommendations made by stakeholders during the annual stakeholder convenings are disclosed. It is recommended that Nestlé also reports its response to key stakeholder concerns and issues raised to indicate the actions that will be taken to address them.

**Specified performance information** – As with previous reporting cycles, Nestlé has continued to produce reliable data for its reporting on Safety, Health and Environment (SHE) through its internal data capture and reporting system. SHE data is well managed owing to a high degree of control at a global level with appropriate checks to ensure consistency and veracity. Attention should be given to improving the data collection process for other key performance data sets such as Responsible Sourcing and Transport, both of which currently lag the overall reporting period (2013 data reported in 2014).

## Methodology

We undertook the following activities to inform our assurance engagement:

- interviewed personnel at various levels throughout the organisation at Nestlé's head office in Vevey, Switzerland;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting systems as they relate to selected content and performance data;
- reviewed a selection of external media reports relating to Nestlé and the food sector to evaluate the coverage of topics within the CSV pages of the Nestlé website;
- reviewed the outcomes of Nestlé's stakeholder engagement activities in 2014;
- reviewed the materiality analysis undertaken by Nestlé's independent advisors and the outputs provided to Nestlé; and
- evaluated Nestlé's public disclosures against the GRI G4 Sustainability Reporting Guidelines.

## Exclusions and Limitations

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

- Activities outside the defined reporting period or scope;
- Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intent);
- Historic text which was unchanged from previous years and did not relate to ongoing activities;
- Financial data taken from Nestlé's Annual Report and Accounts 2014 which is audited by an external financial auditor;
- Content of external websites or documents linked from within [www.nestle.com/CSV](http://www.nestle.com/CSV) pages; and,
- Country or business unit specific CSV reports of other Nestlé entities or joint ventures.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the CSV report. The scope of our work was defined and agreed in consultation with Nestlé. Our work covers global operations and relies upon the collation of global information at Nestlé head office in Vevey, Switzerland.

## Responsibilities of Nestlé SA and of the assurance provider

The preparation, presentation and content of the printed and online versions of the Nestlé in Society: Creating Shared Value and Meeting Our Commitment Report 2014 ('the CSV report') is the sole responsibility of Nestlé SA. The responsibility of Bureau Veritas is to provide independent assurance to stakeholders on the accuracy, reliability and objectivity of the information contained therein, and to express our overall opinion as per the scope of assurance engagement defined in this statement.

Bureau Veritas recognizes the need for a robust, transparent assurance process to ensure credibility and to act as a tool to drive performance improvement in Nestlé's CSV reporting and strategy. This is achieved by providing impartial commentary on the reporting process and recommendations for further development in this assurance statement, and in an internal management report presented to Nestlé.

## Statement of Bureau Veritas Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specializes in quality, environmental, health, safety and social accountability with over 180 years of history in providing independent assurance services.

Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas has a number of existing commercial contracts with Nestlé. Our assurance team does not have any involvement in any other projects with Nestlé outside those of an independent assurance scope and we do not consider there to be a conflict between the other services provided by Bureau Veritas and that of our assurance team.

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



London, March 2015



# GRI content index

## GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Strategy and Analysis</b>					
G4-1	NiS: A message from our Chairman and our CEO <a href="#">p8</a>				Yes, see assurance statement <a href="#">p245</a>
G4-2	AR: Principal risks and uncertainties <a href="#">p55</a> HRC: Our role in human rights and compliance <a href="#">p196</a> NiS: Materiality <a href="#">p11</a> NiS: Assessing the commercial value of CSV issues <a href="#">p16</a> NiS: Our commitments <a href="#">p18</a> <b>The Nestlé in society – Creating Shared Value and meeting our commitments summary report:</b> <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-in-society-summary-report-2014-en.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-in-society-summary-report-2014-en.pdf</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Organizational Profile</b>					
G4-3	NiS: About this report <a href="#">p5</a>				Yes, see assurance statement <a href="#">p245</a>
G4-4	NiS: About this report <a href="#">p5</a> AR: Our brands <a href="#">p34</a>				Yes, see assurance statement <a href="#">p245</a>
G4-5	CGR: Group Structure and Shareholders <a href="#">p3</a>				Yes, see assurance statement <a href="#">p245</a>
G4-6	AR: Geographic data: Factories <a href="#">p56</a>				Yes, see assurance statement <a href="#">p245</a>
G4-7	CFS: Companies of the Nestlé Group <a href="#">p132–148</a> CGR: Group Structure and Shareholders <a href="#">p3</a>				Yes, see assurance statement <a href="#">p245</a> Yes, see assurance statement in CFS <a href="#">p128</a>
G4-8	AR: Business Review <a href="#">p44</a> AR: Principal key figures and sales by area <a href="#">p45</a> AR: Geographic data: Factories <a href="#">p56</a> CFS: Companies of the Nestlé Group <a href="#">p132</a>				Yes, see assurance statement <a href="#">p245</a> Yes, see assurance statement in CFS <a href="#">p128</a>
G4-9	AR: Business Review <a href="#">p44</a> AR: Geographic data: Factories <a href="#">p56</a> AR: Key Figures (Consolidated) <a href="#">p1</a> NiS: Highlights in 2014 <a href="#">p3</a> NiS: Performance summary <a href="#">p6</a>				Yes, see assurance statement <a href="#">p245</a>

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-10</b>	<b>NiS:</b> Performance summary <a href="#">p6</a> <b>OP:</b> Our workforce: Zero tolerance for discrimination <a href="#">p231</a> Covers Nestlé employees registered in the HR system (approximately 85% of all employees). Nestlé do not have a substantial portion of their work performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Nestlé do not have any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).				Yes, see assurance statement <a href="#">p245</a>
<b>G4-11</b>	<b>OP:</b> Labour relations: Collective bargaining and freedom of association <a href="#">p229</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-12</b>	<b>NiS:</b> Materiality: The Nestlé Value Chain <a href="#">p11</a> <b>RD:</b> Responsible sourcing <a href="#">p88–95</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-13</b>	<b>CFS:</b> Acquisitions and disposals <a href="#">p75</a> <b>CGR:</b> Capital Structure <a href="#">p4</a> <b>AR:</b> Letter to our shareholders <a href="#">p2</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-14</b>	<b>ES:</b> Our policies and standards (The Nestlé Policy on Environmental Sustainability) <a href="#">p152</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-15</b>	<b>NiS:</b> Partnerships and collective action <a href="#">p30–38</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-16</b>	<b>NiS:</b> Partnerships and collective action <a href="#">p30–38</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Identified Material Aspects and Boundaries</b>					
<b>G4-17</b>	<b>CFS:</b> Scope of consolidation <a href="#">p65</a> <b>CFS:</b> Companies of the Nestlé Group is on <a href="#">p132–148</a>				Yes, see assurance statement <a href="#">p245</a> Yes, see assurance statement in CFS <a href="#">p128</a>
<b>G4-18</b>	<b>NiS:</b> About this report <a href="#">p5</a> <b>NiS:</b> Materiality <a href="#">p11–17</a> <b>NiS:</b> Stakeholder engagement <a href="#">p25</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-19</b>	<b>NiS:</b> Materiality <a href="#">p11–17</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-20</b>	<b>NiS:</b> About this Report <a href="#">p5</a> <b>NiS:</b> Materiality: Nestlé's material issues <a href="#">p12–15</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-21</b>	<b>NiS:</b> Materiality <a href="#">p12–15</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-22</b>	Some data in the report has been restated since 2013 and has been noted on a case-by-case basis, including for our key performance indicators, see: <b>NiS:</b> Performance summary <a href="#">p7</a>				Yes, see assurance statement <a href="#">p245</a>



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<b>G4-23</b>	NiS: About this report <a href="#">p5</a> NiS: Materiality <a href="#">p11</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Stakeholder Engagement</b>					
<b>G4-24</b>	NiS: Materiality <a href="#">p11</a> NiS: Stakeholder engagement <a href="#">p25</a> NiS: Partnerships and collective action <a href="#">p30–32</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-25</b>	NiS: Partnerships and collective action: A strategic approach <a href="#">p30–32</a> NiS: Stakeholder engagement <a href="#">p25</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-26</b>	<p>We engage, listen, and respond to a wide range of stakeholders on a regular basis. Through meaningful engagement, our stakeholders have helped us improve and helped us set the priorities for our Creating Shared Value strategy. Please find meaningful examples of our engagements with our stakeholders across the following sections of this report.</p> <p><b>NiS:</b> Materiality: Refreshing our materiality assessment <a href="#">p11–12</a>  <b>NiS:</b> Stakeholder engagement <a href="#">p25–27</a>  <b>NiS:</b> Partnerships and collective action <a href="#">p30–38</a>  <b>N:</b> Our role in nutrition: Multi-stakeholder activities <a href="#">p45</a>  <b>RD:</b> Our role in rural development: Engagement and collaboration <a href="#">p80</a>  <b>ES:</b> Multistakeholder collaboration <a href="#">p152</a>  <b>ES:</b> Protecting and enhancing biodiversity: Supporting public policy <a href="#">p194</a>  <b>W:</b> Public policy engagement and collective action <a href="#">p133</a>  <b>HRC:</b> Our role in human rights and compliance: Engagement and collaboration <a href="#">p198</a>  <b>OP:</b> Our role with our people: Measuring and sharing our progress: Nestlé &amp; I survey <a href="#">p220</a></p>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-27</b>	<p>We engage, listen, and respond to a wide range of stakeholders on a regular basis. This CSV report is written in part to address the concerns raised by our stakeholders. Through meaningful engagement, our stakeholders have helped us improve and set the priorities for our Creating Shared Value strategy. Please find meaningful examples of our engagements, initiatives, and partnerships, with our stakeholders across the following sections of this report.</p> <p><b>NiS:</b> Stakeholder engagement <a href="#">p25–27</a>  <b>NiS:</b> Partnerships and collective action: Global, multistakeholder platforms, partnerships, alliances and memberships 2014 <a href="#">p31</a>  <b>N:</b> Our role in nutrition: Multi-stakeholder activities <a href="#">p45</a>  <b>RD:</b> Our role in rural development: Our commitments: Engagement and collaboration <a href="#">p80</a>  <b>ES:</b> Multistakeholder collaboration <a href="#">p152</a>  <b>ES:</b> Protecting and enhancing biodiversity: Supporting public policy <a href="#">p194</a>  <b>W:</b> Public policy engagement and collective action <a href="#">p133</a>  <b>W:</b> Sharing our progress <a href="#">p128</a>  <b>HRC:</b> Our role in rural development: Our commitments: Engagement and collaboration <a href="#">p198</a>  <b>OP:</b> Our role with our people: Measuring and sharing our progress: Nestlé &amp; I survey <a href="#">p220</a></p> <p>The stakeholder convenings are held under the Chatham House Rule, so the identity and affiliation of the participants is confidential. This means we are unable to report the stakeholder groups that raised each of the key topics and concerns.</p>				Yes, see assurance statement <a href="#">p245</a>

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<b>Report Profile</b>					
<b>G4-28</b>	<b>NiS:</b> About this report <a href="#">p5</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-29</b>	Nestlé's previous report was published in 2014 and covered Nestlé's global operations for the year ending 31 December 2013				Yes, see assurance statement <a href="#">p245</a>
<b>G4-30</b>	<b>NiS:</b> About this report <a href="#">p5</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-31</b>	<b>NiS:</b> About this report: Contact us <a href="#">p5</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-32</b>	<b>NiS:</b> About this report: Reporting period and scope: Global Reporting Initiative <a href="#">p5</a> <b>Appendix:</b> GRI content index				Yes, see assurance statement <a href="#">p245</a>
<b>G4-33</b>	<b>NiS:</b> About this report: Assurance <a href="#">p5</a> <b>Appendix:</b> Assurance statement The assurance statement is signed off by Janet Voûte, Vice President, Global Head of Public Affairs.				Yes, see assurance statement <a href="#">p245</a>
<b>Governance</b>					
<b>G4-34</b>	<b>CGR:</b> <a href="#">p14–19</a> <b>NiS:</b> Business principles and governance <a href="#">p20</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-35</b>	<b>CGR:</b> Board of Directors <a href="#">p14</a> <b>NiS:</b> Business principles and governance <a href="#">p20</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-36</b>	<b>NiS:</b> Business principles and governance: Our governance and advisory structure <a href="#">p20</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-37</b>	<b>CGR:</b> Shareholder Participation <a href="#">p20–21</a> <b>NiS:</b> Stakeholder engagement: Nestlé Stakeholder convenings <a href="#">p25</a>				No
<b>G4-38</b>	<b>CGR:</b> Board of Directors <a href="#">p6–14</a> <b>CGR:</b> Executive Board <a href="#">p15–19</a>	Memberships of under-represented social groups.	The information is subject to specific confidentiality constraints.	Information not disclosed due to privacy concerns.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-39</b>	<b>CGR:</b> Board of Directors <a href="#">p6</a>				Yes, see assurance statement <a href="#">p245</a>

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<b>G4-40</b>	<p><b>NiS:</b> Our Governance and Advisory Structure <a href="#">p20</a></p> <p><b>CGR:</b> Board of Directors <a href="#">p10</a></p> <p><b>CGR:</b> Board of Directors <a href="#">p12</a></p> <p>Article 6 of the Articles of Association (<a href="http://www.nestle.com/asset-library/Documents/Library/Documents/Corporate_Governance/Articles-of-Association-of-Nestlé-SA.pdf">http://www.nestle.com/asset-library/Documents/Library/Documents/Corporate_Governance/Articles-of-Association-of-Nestlé-SA.pdf</a>) state the extent of the involvement of shareholders in electing the highest governance body members.</p> <p>Read with section 3.4 (on <a href="#">p10</a>) of CGR, Elections and terms of office, which states, “The Chairman of the Board of Directors, the members of the Board of Directors and the members of the Compensation Committee are elected individually by the General Meeting...”.</p> <p>The nomination process is managed by the nomination committee in accordance with its established procedures and criteria for the selection of board members. All elements are considered.</p>				Yes, see assurance statement in CFS <a href="#">p128</a>
<b>G4-41</b>	<p><b>CGR:</b> Board of Directors <a href="#">p6–10</a></p> <p><b>CGR:</b> Articles of Association: Article 21 sexies Madates outside Nestlé <a href="#">p52</a></p>				No
<b>G4-42</b>	<b>NiS:</b> Business principles and governance <a href="#">p19</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-43</b>	<p>Our executive board members do not receive separate formal training on CSV issues as CSV is embedded in our business management, and thus a core part of their role.</p> <p>To ensure all CSV issues are governed appropriately external experts in CSV issues are a part of our governance model, see:</p> <p><b>NiS:</b> Business principles and governance: Our governance and advisory structure: Nestlé Creating Shared Value Council <a href="#">p21</a></p> <p><b>NiS:</b> Business principles and governance: Our governance and advisory structure: The Nestlé Nutrition Council <a href="#">p23</a></p> <p><b>N:</b> Multi-stakeholder activities <a href="#">p46</a></p> <p><b>W:</b> The Water Challenge Blog <a href="#">p134</a></p> <p>Many of our most senior people, including our Chairman, play a leading role in various multi-stakeholder initiatives relevant to CSV issues, such as the 2030 Water Resources Group (2030 WRG). See:</p> <p><b>AR:</b> <a href="#">Board of Directors</a></p> <p><b>CGR:</b> Board of Directors <a href="#">p12</a></p>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-44</b>	<b>CGR:</b> Board of Directors <a href="#">p11–13</a>				No
<b>G4-45</b>	<p><b>AR:</b> Principal risks and uncertainties, Group risk management <a href="#">p55</a></p> <p><b>CGR:</b> Board of Directors <a href="#">p13</a></p> <p><b>CFS:</b> Group risk management <a href="#">p125–126</a></p> <p><b>NiS:</b> Materiality <a href="#">p11</a></p>				Yes, see assurance statement <a href="#">p245</a> Yes, see assurance statement in CFS <a href="#">p128</a>
<b>G4-46</b>	<p><b>AR:</b> Principal risks and uncertainties, Group risk management <a href="#">p55</a></p> <p><b>CFS:</b> Group risk management <a href="#">p125–126</a></p> <p><b>CGR:</b> Board of Directors <a href="#">p12</a></p>				Yes, see assurance statement in CFS <a href="#">p128</a>

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<b>G4-47</b>	<b>AR:</b> Principal risks and uncertainties, Group risk management <a href="#">p55</a> <b>CFS:</b> Group risk management <a href="#">p125–126</a>				Yes, see assurance statement in CFS <a href="#">p128</a>
<b>G4-48</b>	The full Creating Shared Value report is signed off by Janet Voûte, Vice President, Global Head of Public Affairs, and Rudolf Ramsauer, Corporate Communications Director. The printed Nestlé in society – Creating Shared Value and meeting our commitments 2014 was reviewed by the CEO and Chairman.				Yes, see assurance statement <a href="#">p245</a>
<b>G4-49</b>	Nestlé advised Board of Directors. <b>AR:</b> Principal risks and uncertainties, Group risk management <a href="#">p55</a> <b>AR:</b> Compliance <a href="#">p63</a> <b>CFS:</b> <a href="#">p126</a> <b>HRC:</b> Reporting of compliance violations <a href="#">p199–200</a>				Yes, see assurance statement <a href="#">p245</a> Yes, see assurance statement in CFS <a href="#">p128</a>
<b>G4-50</b>	<b>AR:</b> Compliance <a href="#">p63</a> <b>HRC:</b> Reporting of compliance violations <a href="#">p199–200</a> Print report goes to NiS Board.				Yes, see assurance statement <a href="#">p245</a>
<b>G4-51</b>	There are currently no separate CSV focused policies for sign on bonus or recruitment incentive payments. <b>CGR:</b> Compensation Report 2014 <a href="#">p34–43</a>	<b>b.</b> Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	The information is subject to specific confidentiality constraints.	Not reported due to confidentiality concerns.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-52</b>	<b>CGR:</b> Compensation report <a href="#">p34–35</a>				No
<b>G4-53</b>	<b>CGR:</b> Compensation report <a href="#">p28–29</a> In regards executive compensation we have identified our shareholders as the key stakeholders for this issue. The Board of Directors solicits feedback from investors annually on the compensation system and follows a strategy of continuous improvement with respect to investor concerns and transparency. As from 2015, shareholders will approve the total compensation of the Supervisory Board and the Management Board in a binding vote in accordance with the new Articles of Association adopted on April 10, 2014.				Yes, see assurance statement <a href="#">p245</a>

General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-54</b>	<p><b>CGR:</b> Compensation report <a href="#">p32, 41</a></p> <p>The median of the total annual compensation of all employees, except the CEO is CHF 47 000. The total annual compensation of the CEO is CHF 9 322 521 in 2014. The ratio of the annual median employee compensation to the total annual CEO compensation is 198.35.</p> <p><b>Accompanying notes:</b> Median is estimate based on Company total worldwide salaries and welfare expenses of CHF 15 978 million and average of close to CHF 339 000 – see <a href="#">p92</a> of the Financial Statements 2014.</p> <p>The ratio of the annual median employee compensation and the total annual CEO compensation is distorted due to worldwide salary difference. The Board of Directors solicits feedback from investors annually on the compensation system and follows a strategy of continuous improvement with respect to investor concerns and transparency. As from 2015, shareholders will approve the total compensation of the Supervisory Board and the Management Board in a binding vote in accordance with the new Articles of Association adopted on April 10, 2014.</p>	Country breakdown.	The part of the Standard Disclosure is not applicable.	We have not provided a country level breakdown as that is outside the scope of our global report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-55</b>	<p>The ratio of the annual total compensation percentage increase of the CEO (the highest paid individual) to the median annual total compensation increase for all employees is 0.256.</p> <p><b>Accompanying notes:</b> The percentage difference in the CEO's compensation between 2014 and 2013 is 0.28%. The percentage difference between the median employee compensation between 2014 and 2013 is 1.09%. Thus, the ratio between the increase in the CEO compensation and median employee compensation is 0.256.</p> <p>For total 2014 CEO compensation and for details on the types of compensation included in the calculation please see: <b>CGR:</b> <a href="#">p41</a>.</p> <p>The median compensation per employee is an estimate based on the company's total worldwide salaries divided by the total number of employees in each reported year. See <a href="#">p92</a> of the Financial Statements 2014.</p> <p>See <a href="#">p108</a> for total worldwide salaries.</p> <p>For the number of employees in 2014 and 2013 please see: <a href="http://www.nestle.com/asset-library/documents/library/documents/financial_statements/2014-financial-statements-en.pdf">http://www.nestle.com/asset-library/documents/library/documents/financial_statements/2014-financial-statements-en.pdf</a></p> <p>The ratio of the annual median employee compensation and the total annual CEO compensation is distorted due to worldwide salary difference.</p>	Country breakdown.	The part of the Standard Disclosure is not applicable.	As this is our global report, we have provided the ratio of the percentage increase between the CEO and the median compensation of our employees worldwide between 2014 and 2013. We have not provided a country level breakdown as that is outside the scope of our global report. Moreover, the disclosure of the CEO, members of the Board of Directors and total compensation of the Executive Board is based on Swiss legal requirements and Swiss Code of Best Practices for Corporate Governance as duly stated in the CGR ( <a href="#">p32</a> ), and does not breakdown the information by country.	No



General Standard Disclosures	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Ethics and Integrity</b>					
<b>G4-56</b>	<b>NiS:</b> Corporate Business Principles <a href="#">p19</a> <b>OP:</b> Our role with our people: Our policies and standards <a href="#">p219</a> <b>HRC:</b> Our role in human rights and compliance <a href="#">p196</a> <b>HRC:</b> Anti-corruption: Committing to cultural change <a href="#">p202</a> <b>AR:</b> <a href="#">Compliance</a> <b>The Nestlé Corporate Business Principles:</b> <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</a> The Nestlé Corporate Business Principles have been translated into over 50 languages, see: <a href="http://www.nestle.com/aboutus/businessprinciples/businessprinciples">http://www.nestle.com/aboutus/businessprinciples/businessprinciples</a> The Nestlé Code of Business Conduct is available in English, French, German and Spanish, see: <a href="http://www.nestle.com/aboutus/businessprinciples/code-of-business-conduct">http://www.nestle.com/aboutus/businessprinciples/code-of-business-conduct</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-57</b>	<b>HRC:</b> Compliance: Reporting of compliance violations <a href="#">p199</a> <b>HRC:</b> Compliance: The Nestlé Integrity Reporting System (internal) <a href="#">p199</a> <b>HRC:</b> Compliance: 'Tell us' – our external compliance to reporting system <a href="#">p200</a>	Total number of requests for advice received during the reporting period through the organisation's mechanisms for seeking advice.	The information is currently unavailable.	There were four requests for advice received via the external 'Tell us' system. On IRS (our internal system) however, this category is not yet tracked. We are working to introduce tracking by this category, to be published in the 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-58</b>	<b>HRC:</b> Compliance: Reporting of compliance violations <a href="#">p199</a> <b>HRC:</b> Compliance: The Nestlé Integrity Reporting System (internal) <a href="#">p199</a> <b>HRC:</b> Compliance: 'Tell us' – our external compliance to reporting system <a href="#">p200</a> <a href="http://www.nestle.com/investors/corporate-governance/codeofbusinessconduct">http://www.nestle.com/investors/corporate-governance/codeofbusinessconduct</a>				Yes, see assurance statement <a href="#">p245</a>

## SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Economic</b>					
<b>Material aspect: Economic performance</b>					
<b>G4-DMA</b>	<b>AR:</b> Letter to Shareholders <a href="#">p2</a> <b>NiS:</b> A message from our Chairman and our CEO <a href="#">p8</a> <b>NiS:</b> Creating Shared Value at Nestlé <a href="#">p10</a> <b>NiS:</b> Materiality: Assessing the commercial value of CSV issues <a href="#">p16</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EC1</b>	Community investment as a direct economic value distributed has been reviewed, and the predominant spending is on Healthy Kids. Data is collected across Nestlé markets for this. Total approximate spending on Nestlé Healthy Kids Programme in 2014: CHF 14 million. <b>CFS:</b> <a href="#">p58</a> <b>NiS:</b> Creating Shared Value at Nestlé <a href="#">p10</a> <b>N:</b> Promoting healthy lifestyles for children <a href="#">p49</a> <b>RD:</b> Successful farmers: Local sourcing and assistance to farmers <a href="#">p84</a>				Yes, see assurance statement in CFS <a href="#">p128</a>
<b>G4-EC2</b>	<b>ES:</b> Providing climate change leadership <a href="#">p184</a> <b>ES:</b> Providing climate change leadership: Climate change adaptation <a href="#">p189</a> CDP 2014 Investor submission (CC5.1), Module: Risks and Opportunities p45–96: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available).				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EC3</b>	<b>CFS:</b> Employee benefit liabilities <a href="#">p61</a> <b>CFS:</b> Post-employment benefits <a href="#">p73</a> <b>CFS:</b> Employee benefits <a href="#">p156</a>	<b>d.</b> Report the percentage of salary contributed by employee or employer.  <b>e.</b> Report the level of participation in retirement plans (such as participation in mandatory or voluntary schemes, regional or country-based schemes, or those with financial impact).	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement in CFS <a href="#">p128</a>
<b>G4-EC4</b>	Based on existing information, we do not receive significant financial assistance from government that would materially affect our position. There is no government presence in the shareholding structure.				No

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Market presence</b>					
<b>G4-DMA</b>	Our global presence has a significant impact on local economies, employment both directly and in our supply chain. Moreover, our global presence enables us to achieve our goal of being the leading nutrition, health and wellness company, see: <b>AR:</b> Sales by geographic area <a href="#">p47</a> <b>CFS:</b> <a href="#">p132</a> <b>NiS:</b> Creating Shared Value at Nestlé <a href="#">p10</a> <b>OP:</b> Our workforce: Delivering a Living Wage <a href="#">p229</a>				Yes, see assurance statement in CFS <a href="#">p128</a>
<b>G4-EC5</b>		Indicator omitted.	The information is currently unavailable.	Nestlé is partnered with Business for Social Responsibility (BSR), an external expert, to define the living wage in each country where we do business, and to identify gaps in how the living wage is treated across our operations (see <a href="#">p229</a> ). Our target is to include this information in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-EC6</b>	<b>OP:</b> Developing our people <a href="#">p238</a> Data on this indicator covers all of our operations. Local managers are the most senior managers in each location.				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Indirect economic impacts</b>					
<b>G4-DMA</b>	<b>RD:</b> Material Issues <a href="#">p78</a> <b>RD:</b> Governance and management systems <a href="#">p80</a> <b>RD:</b> Rural development: The Rural Development Framework <a href="#">p81</a> As a global company, we recognise that we have a significant indirect economic impacts across our value chain. Our CSV strategy and management approach for managing our indirect economic impacts both positive and negative is focused on the millions of farmers and local communities around the world who depend on our business for their livelihoods.				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EC7</b>	Our most material investment is our Healthy Kids programme. Data is collected across Nestlé markets for this and the total spending on Nestlé Healthy Kids Programme in 2014 is approximately: CHF 14 million. <b>N:</b> Supporting healthy nutrition from infancy: Promoting healthy lifestyles for children <a href="#">p49</a> <b>RD:</b> Prospering communities <a href="#">p86</a> <b>RD:</b> Successful farmers <a href="#">p82</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EC8</b>	<b>NiS:</b> Creating Shared Value at Nestlé <a href="#">p10</a> <b>NiS:</b> 2014 performance summary <a href="#">p6</a> <b>RD:</b> Prospering communities <a href="#">p86</a> <b>RD:</b> Successful farmers <a href="#">p82</a> <b>RD:</b> The Rural Development Framework <a href="#">p81</a> <b>RD:</b> Assessing our impacts <a href="#">p101</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Procurement practices</b>					
<b>G4-DMA</b>	<b>NI</b> s: The Nestlé Corporate Business Principles (Suppliers and customers) <a href="#">p19</a> <b>RD</b> : Our role in rural development <a href="#">p78</a> <b>RD</b> : Our role in rural development: Material issues <a href="#">p78</a> <b>RD</b> : Our role in rural development: Governance and management systems <a href="#">p80</a> <b>RD</b> : Our role in rural development: Our policies and standards <a href="#">p80</a> <b>RD</b> : Our role in rural development: Our commitments <a href="#">p80</a> <b>RD</b> : Productive and respected workers <a href="#">p86</a> <b>RD</b> : Successful farmers: Local sourcing and assistance to farmers <a href="#">p84</a> <b>RD</b> : Successful farmers: Women farmers <a href="#">p85</a> <b>RD</b> : Rural development: Prospering communities: The rural development impacts of our factories <a href="#">p87</a> <b>RD</b> : Responsible sourcing <a href="#">p88</a> <b>RD</b> : Responsible sourcing: Setting out our standards <a href="#">p89</a> <b>RD</b> : Implementing Responsible sourcing <a href="#">p90</a> <b>RD</b> : Our priority sourcing categories <a href="#">p96</a> <b>RD</b> : Our priority sourcing categories: Coffee: <i>Nespresso</i> AAA Sustainable Quality™ Program: Assessing our impacts <a href="#">p100</a> <b>RD</b> : Our priority sourcing categories: Dairy: Fresh milk: Our 'milk district' model: Creating Shared Value in milk districts <a href="#">p108</a> <b>RD</b> : Our priority sourcing categories: Palm Oil <a href="#">p112</a> <b>RD</b> : Our priority sourcing categories: Pulp and paper <a href="#">p114</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EC9</b>	<b>RD</b> : Successful farmers: Farmer Connect <a href="#">p83</a> <b>RD</b> : Our role in rural development <a href="#">p78</a> <b>RD</b> : Responsible sourcing: Setting out our standards <a href="#">p89</a>	The percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally).	The part of the Standard Disclosure is not applicable.	Although we source products locally where possible, as demonstrated by our Farmer Connect programme, due to the global nature of our supply chain and the types of products we source, our ability to track procurement spend locally is limited. We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>FP1</b>	<b>RD</b> : Implementing responsible sourcing <a href="#">p92</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP2	<b>RD:</b> Cocoa: The Nestlé Cocoa Plan <a href="#">p103</a> <b>RD:</b> Palm oil: Verification and certification <a href="#">p112</a> <b>RD:</b> Pulp and paper: Verification and certification <a href="#">p114</a> <b>RD:</b> Soya: Verification and certification <a href="#">p115</a> <b>RD:</b> Sugar: Verification and certification <a href="#">p116</a> <b>RD:</b> Sugar: Supply chain assessments <a href="#">p116</a> <b>RD:</b> Fish and seafood: Verification and certification <a href="#">p122</a>	<b>2.5</b> Calculate the percentage of purchased volume which is verified as being in accordance with standards identified in 2.2 by using the following equation: Purchased volume calculated in 2.4 = Total purchased volume Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards x 100.  <b>2.6</b> Report the percentage calculated in 2.5 broken down by the credible, internationally recognized responsible production standards identified in 2.2 and broken down by origin identified in 2.1.	The information is subject to specific confidentiality constraints.	We provide information on spend and some volumes purchased to give a representation of scale, but are unable to report the details due to commercial sensitivities and traceability. We give information by region where possible. 38% of key commodities are currently traceable.	Yes, see assurance statement <a href="#">p245</a>
<b>Environmental</b>					
<b>Material aspect: Materials</b>					
G4-DMA	<b>ES:</b> Our role in environmental sustainability <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> <b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> <b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a> <b>ES:</b> Managing environmental sustainability: The environmental life-cycle of products <a href="#">p156</a> <b>ES:</b> Raw Materials <a href="#">p160</a>				Yes, see assurance statement <a href="#">p245</a>
G4-EN1	<b>ES:</b> Our role in Environmental Sustainability: Sharing our progress <a href="#">p155</a> <b>ES:</b> Raw materials: Sourcing raw materials <a href="#">p160</a> See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>



DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
G4-EN2	<p><b>ES:</b> Packaging: Our approach: Optimising weight and volume <a href="#">p166</a></p> <p>The most material area for Nestlé to measure the percentage of recycled input is packaging, for which the following information is available:</p> <p>26.8% of 5.6 mio tonnes of packaging material is recycled, which is 1.5 mio tonnes, and this is 4.8% of the total materials used (31.4 mio tonnes).</p> <p>See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Energy</b>					
G4-DMA	<p><b>ES:</b> Our role in environmental sustainability <a href="#">p149</a></p> <p><b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a></p> <p><b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a></p> <p><b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a></p> <p><b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a></p> <p><b>ES:</b> Managing environmental sustainability: The environmental life-cycle of products <a href="#">p156</a></p> <p><b>ES:</b> Manufacturing: Reducing our energy consumption <a href="#">p163</a></p> <p><b>ES:</b> Providing climate change leadership <a href="#">p184</a></p>				Yes, see assurance statement <a href="#">p245</a>
G4-EN3	<p><b>ES:</b> Sharing our progress <a href="#">p155</a></p> <p><b>ES:</b> Manufacturing: Reducing our energy consumption <a href="#">p163</a></p> <p>See our CDP 2014 Investor submission p114: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a></p> <p>(Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available)</p> <p>See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p> <p>Nestlé sell a small amount of energy, and this sold energy is excluded from our energy consumption. Note that the GHG emissions related to the production of this sold energy are included in our scope 1 emissions.</p> <p>Energy sold (in GJ) January to December 2014: Steam sold: 868 743 Electricity sold from co-generation: 198 937</p> <p>(These amounts are not considered material as they only represent 1% of our energy consumption. The data is generated based on requests to factories to report the amount of electricity steam sold.)</p>				Yes, see assurance statement <a href="#">p245</a>
G4-EN4	<p><b>ES:</b> Sharing our progress <a href="#">p155</a></p> <p><b>ES:</b> Manufacturing: Reducing our energy consumption <a href="#">p163</a></p> <p>See our CDP 2014 Investor submission for standards, methodologies and assumptions used and the source of conversion factors used <a href="#">p185</a>: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a></p> <p>(Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)</p>	Data for energy use for suppliers and customers.	The information is currently unavailable.	We do not currently collect or estimate the amount of energy used by our suppliers and customers. We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN5</b>	<b>ES:</b> Manufacturing: Reducing our energy consumption <a href="#">p163</a> Boundaries for the calculation: Factories (within the organisation) Total energy consumption = Direct energy + intermediate energy Intermediate energy = grid electricity + green power + steam purchased + hot water purchased				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN6</b>	<b>ES:</b> Manufacturing: Reducing our energy consumption <a href="#">p163</a> See our CDP 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available) See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN7</b>	<b>ES:</b> Manufacturing: Reducing our energy consumption <a href="#">p163</a> The rationale for the baseline is to have a 10-year period with a target year within manageable cycles. See our CDP 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available) See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Water</b>					
<b>G4-DMA</b>	<b>W:</b> Our role in water stewardship <a href="#">p125</a> <b>W:</b> Our role in water stewardship: Material issues <a href="#">p125</a> <b>W:</b> Our role in water stewardship: Governance and management systems <a href="#">p126</a> <b>W:</b> Our role in water stewardship: Our policies and standards <a href="#">p127</a> <b>W:</b> Our role in water stewardship: Our commitments <a href="#">p126</a> <b>W:</b> Understanding our impacts <a href="#">p127</a> <b>W:</b> Water in our operations <a href="#">p129</a> <b>W:</b> Public policy engagement and collective action <a href="#">p133</a> Nestlé commitment on Water Stewardship: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-commitment-water-stewardship.pdf</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN8</b>	<b>W:</b> Understanding our impacts <a href="#">p127</a> CDP Water 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-response-2014-cdp-questionnaire-water.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-response-2014-cdp-questionnaire-water.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.) See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-EN9</b>	<b>W:</b> Understanding our impacts <a href="#">p127</a> <b>W:</b> Water in our operations: High priority areas <a href="#">p131</a> CDP Water 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-response-2014-cdp-questionnaire-water.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-response-2014-cdp-questionnaire-water.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)	Total number of water sources significantly affected by withdrawal type should be reported (size of waters source; designated protected area; biodiversity value; value or importance to local community).	The information is currently unavailable.	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre (see <a href="#">p127</a> ), and our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN10</b>	<b>W:</b> Water in our operations: Achieving water efficiency and sustainability: Reducing water withdrawals <a href="#">p131</a> CDP Water 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-response-2014-cdp-questionnaire-water.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-response-2014-cdp-questionnaire-water.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Biodiversity</b>					
<b>G4-DMA</b>	<b>ES:</b> Our role in environmental sustainability <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> <b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> <b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a> <b>ES:</b> Managing environmental sustainability: The environmental life-cycle of products <a href="#">p156</a> <b>ES:</b> Protecting and enhancing biodiversity <a href="#">p190</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN11</b>	<b>ES:</b> Protecting and enhancing biodiversity <a href="#">p190</a> <b>W:</b> Water in our operations: High priority areas <a href="#">p131</a> See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>	Size of operational site in km <sup>2</sup> . Biodiversity value characterised.	The information is currently unavailable.	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre (see <a href="#">p127</a> ), and our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN12</b>	<b>ES:</b> Protecting and enhancing biodiversity <a href="#">p190</a> <b>ES:</b> Protecting and enhancing biodiversity: Improvement programmes at our factories <a href="#">p193</a> <b>ES:</b> Protecting and enhancing biodiversity: Sourcing raw materials <a href="#">p191</a> <b>ES:</b> Protecting and enhancing biodiversity: Supporting public policy <a href="#">p194</a> <b>RD:</b> Pulp and paper <a href="#">p114</a> <b>RD:</b> Soya <a href="#">p115</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN13</b>	<b>ES:</b> Protecting and enhancing biodiversity <a href="#">p190</a> <b>ES:</b> Protecting and enhancing biodiversity: Improvement programmes at our factories <a href="#">p193</a> <b>W:</b> Water in our operations: High priority areas <a href="#">p131</a>	<b>c.</b> Report on the status of each area based on its condition at the close of the reporting period. <b>d.</b> Report standards, methodologies, and assumptions used.	The information is currently unavailable.	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre (see <a href="#">p193</a> ), and our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
G4-EN14	ES: Protecting and enhancing biodiversity <a href="#">p190</a>	Indicator omitted.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	No
<b>Material aspect: Emissions</b>					
G4-DMA	ES: Our role in environmental sustainability <a href="#">p149</a> ES: Our role in environmental sustainability: Material issues <a href="#">p149</a> ES: Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> ES: Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> ES: Our role in environmental sustainability: Our commitments <a href="#">p151</a> ES: Managing environmental sustainability: The environmental life-cycle of products <a href="#">p156</a> ES: Providing climate change leadership <a href="#">p184</a>				Yes, see assurance statement <a href="#">p245</a>
G4-EN15	ES: Sharing our progress <a href="#">p155</a> ES: Providing climate change leadership: Reducing GHG emissions <a href="#">p185</a> See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a> Definitions and comments on Environmental Performance Indicators 2014: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definitions_and_comments_on_environmental_performance_indicators_2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definitions_and_comments_on_environmental_performance_indicators_2014.pdf</a> The following are in Nestlé 2014 CDP submission: e. Report standards, methodologies, and assumptions used. f. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source. CDP 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)				Yes, see assurance statement <a href="#">p245</a>
G4-EN16	ES: Governance and management systems: Sharing our progress <a href="#">p155</a> ES: Providing climate change leadership: Reducing GHG emissions <a href="#">p185</a> GWP rates are reported in the 2014 CDP submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)				Yes, see assurance statement <a href="#">p245</a>
G4-EN17	ES: The need for climate leadership: Reporting <a href="#">p185</a> ES: Providing climate change leadership: Reducing GHG emissions <a href="#">p185</a> See scope 3 emissions and GWP rates in: CDP 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/Nestlé-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/Nestlé-answer-cdp-2014.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.) See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
G4-EN18	<p><b>ES:</b> Providing climate change leadership: Reducing GHG emissions <a href="#">p185</a></p> <p>See our CDP 2014 Investor submission p119–120: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a></p> <p>(Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)</p>				Yes, see assurance statement <a href="#">p245</a>
G4-EN19	<p><b>ES:</b> Providing climate change leadership: Reducing GHG emissions <a href="#">p185</a></p> <p><b>ES:</b> Providing climate change leadership: Switching to cleaner fuels <a href="#">p186</a></p> <p><b>ES:</b> Manufacturing: Driving operational excellence <a href="#">p162</a></p> <p><b>ES:</b> Transportation and distribution: Route optimisation and technology <a href="#">p172</a></p> <p><b>ES:</b> Transportation and distribution: Improving our warehousing <a href="#">p174</a></p> <p>See our CDP 2014 Investor submission for standards, methodologies and assumptions used and the source of conversion factors used: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a></p> <p>(Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)</p> <p>Definitions and comments on Environmental Performance Indicators 2014: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definitions_and_comments_on_environmental_performance_indicators_2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definitions_and_comments_on_environmental_performance_indicators_2014.pdf</a></p>				Yes, see assurance statement <a href="#">p245</a>
G4-EN20	<p><b>ES:</b> Providing climate change leadership: Reducing GHG emissions <a href="#">p188</a></p> <p>See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a></p> <p>CDP 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a></p> <p>(Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)</p> <p>The following substances are included in the calculation:</p> <ul style="list-style-type: none"> <li>Blends – Azeotropes</li> <li>Cyclic Organic Compounds</li> <li>Ethane Series</li> <li>Ethers</li> <li>Inorganic Compounds</li> <li>Methane Series</li> <li>Miscellaneous Organic Compounds</li> <li>Propane</li> <li>Unsaturated Organic Compounds</li> </ul>				Yes, see assurance statement <a href="#">p245</a>
G4-EN21	<p><b>ES:</b> Manufacturing: Reducing our emissions <a href="#">p164</a></p> <p>CDP 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-answer-cdp-2014.pdf</a></p> <p>(Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.)</p> <p>Definitions and comments on Environmental Performance Indicators 2014: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definitions_and_comments_on_environmental_performance_indicators_2014.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/definitions_and_comments_on_environmental_performance_indicators_2014.pdf</a></p>				Yes, see assurance statement <a href="#">p245</a>



DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Effluents and waste</b>					
<b>G4-DMA</b>	<b>ES:</b> Our role in environmental sustainability <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> <b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> <b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a> <b>ES:</b> Managing environmental sustainability: The environmental life-cycle of products <a href="#">p156</a> <b>ES:</b> Waste and recovery <a href="#">p179</a> <b>W:</b> Water treatment and quality <a href="#">p138</a> See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN22</b>	<b>W:</b> Water treatment and quality <a href="#">p138</a> CDP Water 2014 Investor submission: <a href="http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-response-2014-cdp-questionnaire-water.pdf">http://www.nestle.com/asset-library/documents/creating-shared-value/environment/nestle-response-2014-cdp-questionnaire-water.pdf</a> (Due to different reporting timings the CDP submission is currently for 2013 data. This will be updated when the 2015 CDP submission with 2014 data is available.) See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN23</b>	<b>ES:</b> Sharing our progress <a href="#">p155</a> <b>ES:</b> Waste and recovery: Preventing and reducing waste <a href="#">p179</a> The waste disposal method was determined as follows: Disposed of directly by Nestlé: 16 726 tonnes Information provided by waste disposal contractor: 144 718 tonnes Organisational defaults of waste disposal contractor: 39 509 tonnes Data not available: 12 591 tonnes See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN24</b>	There were no significant spills in 2014.				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN25</b>		The Standard Disclosure.	The Standard Disclosure is not applicable.	Nestlé do not transport or treat any waste relevant under the terms of the Basel Convention Annex I, II, III and VIII.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN26</b>	<b>ES:</b> Protecting and enhancing biodiversity: Improvement programmes at our factories <a href="#">p193</a>	Size of water body and related habitat, designated as a protected area, and biodiversity value (such as total number of protected species).	The information is currently unavailable.	We are working to obtain this data through a project with the UNEP World Conservation Monitoring Centre (see <a href="#">p127</a> ), and our target is to include this in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Products and services</b>					
<b>G4-DMA</b>	<b>ES:</b> Our role in environmental sustainability <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> <b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> <b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a> <b>ES:</b> Managing environmental sustainability: The environmental life-cycle of products <a href="#">p156</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN27</b>	<b>ES:</b> The environmental life-cycle of products <a href="#">p156</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN28</b>	<b>ES:</b> Packaging: Our approach <a href="#">p166</a> <b>ES:</b> Packaging: Our approach: Recycling used packaging <a href="#">p168</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Compliance</b>					
<b>G4-DMA</b>	Compliance is at the basis of everything we do and is essential to the license to operate, see: <b>NiS:</b> Creating Shared Value at Nestlé <a href="#">p10</a> <b>ES:</b> Our role in environmental sustainability <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> <b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> <b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a> <b>ES:</b> Manufacturing: Driving operational excellence <a href="#">p162</a> <b>HRC:</b> Compliance: The CARE audit programme <a href="#">p200</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN29</b>	<b>ES:</b> Governance and management systems <a href="#">p151</a> See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a> There were: 9 non-monetary sanctions. 4 cases involved dispute resolution mechanisms. See 2014 Consolidated Nestlé performance indicators: <a href="http://www.nestle.com/csv/performance/environmental-indicators">http://www.nestle.com/csv/performance/environmental-indicators</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Transport</b>					
<b>G4-DMA</b>	<b>NiS:</b> Creating Shared Value at Nestlé <a href="#">p10</a> <b>ES:</b> Our role in environmental sustainability <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> <b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> <b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a> <b>ES:</b> Transport and distribution <a href="#">p172</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN30</b>	Transportation was an identified sub-issue for resource efficiency and waste as part of our materiality analysis, see <b>NiS:</b> <a href="#">p14</a> <b>ES:</b> Transport and distribution <a href="#">p172</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Overall</b>					
<b>G4-DMA</b>	<b>NiS:</b> Creating Shared Value at Nestlé <a href="#">p10</a> <b>ES:</b> Our role in environmental sustainability <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> <b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> <b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a> <b>ES:</b> Manufacturing: Reducing our energy consumption <a href="#">p156</a> <b>W:</b> Water in our operations <a href="#">p129</a>	Management of expenditure.	The information is currently unavailable.	This information is not currently available. We are looking into how we include this in 2015.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN31</b>	<b>ES:</b> Managing environmental sustainability <a href="#">p156</a>	<b>a.</b> Report total environmental protection expenditures by: Waste disposal, emissions treatment, and remediation costs.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Supplier environmental assessment</b>					
<b>G4-DMA</b>	All Nestlé suppliers are required to adhere to the Nestlé Supplier code (that includes environmental, societal, labour and human rights criteria), and are audited for compliance against the code. If any instances of non-compliance are found corrective action plans are put in place to resolve the issues. Termination of a relationship with a supplier only occurs if they refuse to comply with the audit process, and is only undertaken as a last resort. See: <b>RD:</b> Auditing: The results <a href="#">p92</a> <b>ES:</b> Our role in environmental sustainability <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Material issues <a href="#">p149</a> <b>ES:</b> Our role in environmental sustainability: Governance and management systems <a href="#">p151</a> <b>ES:</b> Our role in environmental sustainability: Our policies and standards <a href="#">p152</a> <b>ES:</b> Our role in environmental sustainability: Our commitments <a href="#">p151</a> <b>ES:</b> Raw materials: Sourcing raw materials <a href="#">p160</a> <b>ES:</b> Managing environmental sustainability: Packaging: Our approach: Recycling used packaging <a href="#">p168</a> <b>RD:</b> Responsible sourcing <a href="#">p88</a> <b>RD:</b> Responsible sourcing: Implementing responsible sourcing <a href="#">p90</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a> Nestlé Responsible Sourcing Guideline: <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN32</b>	The Nestlé Supplier Code sets out the standards (including societal and environmental) that all Nestlé suppliers have to adhere to, see: <b>RD:</b> Responsible sourcing: Setting our standards <a href="#">p89</a> All new suppliers are screened as part of our Tier 1 audits, see: <b>RD:</b> Responsible sourcing: Auditing <a href="#">p91</a> <b>RD:</b> Responsible sourcing: Issues in traceability and supply chain mapping <a href="#">p95</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN33</b>	<b>RD:</b> Responsible sourcing: Auditing <a href="#">p91</a> <b>RD:</b> Responsible sourcing: Issues in traceability and supply chain mapping <a href="#">p95</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Environmental grievance mechanisms</b>					
<b>G4-DMA</b>	<b>RD:</b> Responsible sourcing: Setting out our standards <a href="#">p89</a> <b>ES:</b> Our role in environmental sustainability <a href="#">p150–153</a> <b>HRC:</b> Compliance: ‘Tell us’ – our external compliance to reporting system <a href="#">p200</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-EN34</b>	In 2014 we had 3 grievances that involved a dispute resolution mechanism.	<p>The number addressed in 2014, and the number of grievances resolved in 2014.</p> <p>The number of grievances filed in 2013 and resolved in 2014.</p>	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Social</b>					
<b>Labor Practices and Decent Work</b>					
<b>Material aspect: Employment</b>					
<b>G4-DMA</b>	<p>Illegal working from home was not identified as a material risk within our supply chain. Our materiality process and supply chain audits have identified child labour as the main risk within our agricultural supply chain, and thus we manage and report on our efforts to address this risk across our supply chain.</p> <p><b>RD:</b> Productive and respected workers <a href="#">p86</a>  <b>OP:</b> Our role with our people <a href="#">p217</a>  <b>OP:</b> Labour relations: Our workforce <a href="#">p228</a></p>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA1</b>	<b>OP:</b> Labour relations: Our workforce: Zero tolerance for discrimination <a href="#">p232</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA2</b>	<p><b>OP:</b> Our workforce: Total Rewards Policy <a href="#">p228</a></p> <p>The Nestlé Total Rewards Policy is intended to cover everyone directly employed by the company (including temps and part time), but its actual application is subject to considerations of local market practice, legislative requirements, etc.</p>	Details of application to temporary or part-time employees by significant locations of operations.	The part of the Standard Disclosure is not applicable.	Nestlé do not have a mechanism in place for tracking and reporting this. We are currently discussing the possibility of automating the reporting in the future. Our target is to include this in our 2016 report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA3</b>	<b>OP:</b> Diversity: Gender balance initiative: Gender balance Business Sponsors <a href="#">p235</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Labor/management relations</b>					
<b>G4-DMA</b>	<p><b>OP:</b> Material issues <a href="#">p217</a>  <b>OP:</b> Labour relations <a href="#">p228</a></p>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA4</b>	<b>OP:</b> Labour relations: Minimum notice period <a href="#">p228</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-FP3</b>	<b>OP:</b> Labour relations: Our workforce <a href="#">p228</a> <b>OP:</b> Labour relations: Our workforce: Fostering positive relations with trade unions <a href="#">p230</a>	Reasons for industrial disputes, strikes and/or lock-outs.	The information is currently unavailable.	Labour disputes should be and are handled at local level. In general, these industrial disputes happened mainly during salary negotiations, due to general strikes of the sector or protests against local governments' measures. We are looking at how this information can be reported and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Occupational health and safety</b>					
<b>G4-DMA</b>	<b>OP:</b> Material issues <a href="#">p217</a> <b>OP:</b> Safety, health and wellness <a href="#">p222</a> <b>OP:</b> Safety, health and wellness: Workplace wellness <a href="#">p227</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA5</b>		Indicator omitted.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	No
<b>G4-LA6</b>	<b>OP:</b> Safety, health and wellness: Our safety and health performance <a href="#">p224</a> <b>OP:</b> Safety, health and wellness: Workplace wellness <a href="#">p227</a> Injuries and illnesses are classified and reported according to a global Nestlé standard, which is based on the United States OSHA record keeping standard.	Gender breakdown.	The part of the Standard Disclosure is not applicable.	We do not see any differences in our male and female populations that would significantly affect risk of injury or illness. There are lots of factors/variables that can affect risk levels, and we are starting to look at these (eg employment status, years of experience, training received, etc).	Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA7</b>	<b>OP:</b> Safety, health and wellness: Workplace wellness <a href="#">p227</a> There are no workers who are involved in occupational activities who have a high incidence or high risk of specific diseases.				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA8</b>	<b>OP:</b> Safety, health and wellness <a href="#">p222</a>	Report the extent, as a percentage, to which various health and safety topics are covered by these agreements.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>



DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Training and education</b>					
<b>G4-DMA</b>	<b>OP:</b> Material issues <a href="#">p217</a> <b>OP:</b> Developing talent <a href="#">p237</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA9</b>	<b>OP:</b> Developing talent: Employee Job Success Profiles <a href="#">p238</a>	Employee category breakdown.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA10</b>	<b>OP:</b> Developing talent <a href="#">p237</a>	Details for: The provision of training programmes including sabbatical periods with guaranteed return to employment.  Provision of programmes to assist in managing career endings, including as a minimum: pre-retirement planning for intended retirees, retraining for those intending to continue working, severance pay and whether this takes into account employee age and years of service, job replacement services, assistance on transitioning to a non-working life.	The information is currently unavailable.	We are examining our data collection process with a view to reporting this missing element in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA11</b>	<b>OP:</b> Developing talent: Promoting lifelong learning <a href="#">p239</a>	Percentage of total employees by gender and employee category who receive a regular performance and career development review.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Diversity and equal opportunity</b>					
<b>G4-DMA</b>	<b>OP:</b> Material issues <a href="#">p217</a> <b>OP:</b> Diversity <a href="#">p233</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA12</b>	<b>OP:</b> Our workforce: Zero tolerance for discrimination <a href="#">p230</a>	Minority group data.	The information is subject to specific confidentiality constraints.	Employees are not broken out by minority group due to differing privacy concerns in our markets.	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Equal remuneration for women and men</b>					
<b>G4-DMA</b>	<b>OP:</b> Material issues <a href="#">p217</a> <b>OP:</b> Diversity <a href="#">p233</a> <b>RD:</b> Successful farmers: Women farmers <a href="#">p85</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA13</b>	<b>OP:</b> Diversity: Gender balance initiative <a href="#">p233</a>	Regional and employee category breakdowns.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Supplier assessment for labor practices</b>					
<b>G4-DMA</b>	All Nestlé suppliers are required to adhere to the Nestlé Supplier code (that includes environmental, societal, labour and human rights criteria), and are audited for compliance against the code. If any instances of non-compliance are found corrective action plans are put in place to resolve the issues. Termination of a relationship with a supplier only occurs if they refuse to comply with the audit process, and is only undertaken as a last resort. See: <b>RD:</b> Auditing: The results <a href="#">p92</a> <b>RD:</b> Material issues <a href="#">p78</a> <b>RD:</b> Productive and respected workers <a href="#">p86</a> <b>RD:</b> Responsible sourcing <a href="#">p88–92</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a> <b>RD:</b> Responsible sourcing: Implementing responsible sourcing: Auditing <a href="#">p91</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA14</b>	<b>RD:</b> Responsible sourcing: Setting out our standards <a href="#">p89</a> 100% of new suppliers are screened, see: <b>RD:</b> Responsible sourcing: Audit programme for Tier 1 suppliers <a href="#">p90</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-LA15</b>	<b>RD:</b> Our role in rural development <a href="#">p78–79</a> <b>RD:</b> Responsible sourcing: Audit programme for Tier 1 suppliers <a href="#">p90</a> <b>RD:</b> Implementing responsible sourcing: Auditing: The results <a href="#">p92</a> <b>RD:</b> Responsible sourcing: Issues in traceability and supply chain mapping <a href="#">p95</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a> <b>HRC:</b> Child labour <a href="#">p209</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Labor practices grievance mechanisms</b>					
<b>G4-DMA</b>	<b>HRC:</b> Compliance: ‘Tell us’ – our external compliance reporting system <a href="#">p200</a> Our employees are involved in reviewing the effectiveness of our IRS system through our IRS feedback survey. According to this survey, on average, our employees rated IRS 3.65 out of 5. Employees saw the IRS system as a significant improvement over previous years, but would like to see greater uptake by ensuring that complaints are not easily traced back to the employee making the complaint. We are looking for ways to improve this system in the year ahead.	Feedback on the ‘Tell us’ system.	The information is currently unavailable.	As this was the first year that we launched our ‘Tell us’ system, we have not yet requested stakeholder feedback on the effectiveness of the system. However, as the system becomes more mature and we continue to deploy it across other countries, we will look to seek feedback on the system and our target is to include this in the 2015 CSV report.	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
G4-LA16	OP: Zero tolerance for discrimination: Grievances about labour practices <a href="#">p230</a>	Report the total number of grievances about labour practices filed prior to the reporting period that were resolved during the reporting period.	The information is currently unavailable.	Classification by grievances about labour practices started in 2014, as a result of the new G4 requirements, so we do not have comparable data for the previous year (2013). We will be able to report on grievances filed prior to the reporting period in the 2015 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Human Rights</b>					
<b>Material aspect: Investment</b>					
G4-DMA	HRC: Material issues <a href="#">p196–197</a> RD: Responsible sourcing <a href="#">p88</a> RD: The role of RISE <a href="#">p84</a> HRC: Human rights due diligence programme <a href="#">p204</a>				Yes, see assurance statement <a href="#">p245</a>
G4-HR1	HRC: Pillar 8: Monitoring and reporting <a href="#">p207</a> There were no significant investment agreements made in 2014.				Yes, see assurance statement <a href="#">p245</a>
G4-HR2	We identify and prioritise those employees who are located in eleven FTSE4Good Countries of Concern for human rights training using our online human rights training tool. Going forward, we are looking to train all employees who work in FTSE4Good Countries of Concern where we have significant involvement.  In 2014 2% of our employees received training, and cumulatively 15% of our employees have received training since 2011 (calculated as percentage of total number of employees). HRC: Human rights due diligence programme: Pillar 3: Training <a href="#">p206</a> HRC: Human rights: Pillar 8: Monitoring and reporting <a href="#">p207–208</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Non-discrimination</b>					
G4-DMA	HRC: Material issues <a href="#">p196</a> OP: Zero tolerance for discrimination <a href="#">p230</a> Nestlé's Corporate Business Principles <a href="#">p19</a> : <a href="http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf">http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</a>				Yes, see assurance statement <a href="#">p245</a>
G4-HR3	OP: Zero tolerance for discrimination <a href="#">p230–231</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Freedom of association and collective bargaining</b>					
G4-DMA	RD: Labour conditions in our supply chain <a href="#">p86</a> HRC: Material issues <a href="#">p196</a> OP: Our role with our people: Our policies and standards <a href="#">p219</a> OP: Labour relations <a href="#">p228</a> OP: Collective bargaining and freedom of association <a href="#">p229</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-HR4</b>	<b>OP:</b> Labour relations: Collective bargaining and freedom of association <a href="#">p229</a> <b>HRC:</b> Human rights due diligence programme: Pillar 4: Risk evaluation <a href="#">p206</a> <b>HRC:</b> Human rights: Pillar 8: Monitoring and reporting <a href="#">p207–208</a>	Type of operation (such as manufacturing plant) and supplier, Countries or geographical areas with operations and suppliers considered at risk.	The information is currently unavailable.	Data is only available on a global level. We are looking at how we include the geographic breakdown, with a target for inclusion in the 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Child labor</b>					
<b>G4-DMA</b>	<b>HRC:</b> Material issues <a href="#">p196</a> <b>HRC:</b> Child labour <a href="#">p209</a> <b>RD:</b> Our policies and standards <a href="#">p80</a> <b>RD:</b> Productive and respected workers <a href="#">p86</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-HR5</b>	<b>RD:</b> Labour conditions in our supply chain <a href="#">p86</a> <b>RD:</b> Our priority sourcing categories Hazelnuts <a href="#">p117</a> <b>RD:</b> Our priority sourcing categories Hazelnuts <a href="#">p115</a> <b>HRC:</b> Child Labour <a href="#">p209–213</a> <b>HRC:</b> Material issues <a href="#">p196</a> <b>HRC:</b> Human rights: Pillar 8: Monitoring and reporting <a href="#">p207–208</a>	<b>a.</b> Report operations and suppliers considered to have significant risk for incidents of: – Child labour – Young workers exposed to hazardous work. <b>b.</b> Report operations and suppliers considered to have significant risk for incidents of child labour either in terms of: – Type of operation (such as manufacturing plant) and supplier – Countries or geographical areas with operations and suppliers considered at risk.	The information is currently unavailable.	We do not accept any form of child labour in our value chain, and thus we do not differentiate between child labour and young workers exposed to hazardous work. Moreover, we do not break down child labour risks by type of operation, as we actively work with the ILO's Child Labour Platform to identify commodities that have high risk of child labour such as hazelnuts in Turkey, vanilla in Madagascar, and cocoa in Côte d'Ivoire. Our management and strategy focuses on minimising the risks of child labour in these high risk commodities and locations through our work with other external stakeholders. We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Forced or compulsory labor</b>					
<b>G4-DMA</b>	Our materiality process identified child labour as the main risk of forced or compulsory labour in our supply chain, thus we report on and manage child labour as the key material issue identified. While forced or compulsory labour is not an identified material issue for Nestle we report against these key indicators, in addition to child labour, as we recognize that as a multi-national business all of the disclosures identified by GRI are relevant to a business of our size and scale, and thus we have chosen to include information against all of them. <b>HRC:</b> Material issues <a href="#">p196</a> <b>RD:</b> Productive and respected workers <a href="#">p86</a> <b>RD:</b> Our policies and standards <a href="#">p80</a> <b>RD:</b> Labour conditions in our supply chain <a href="#">p86</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-HR6</b>	<b>HRC:</b> Human rights: Pillar 8: Monitoring and reporting <a href="#">p207–208</a> <b>RD:</b> Responsible sourcing: Implementing responsible sourcing: Auditing <a href="#">p91</a> <b>RD:</b> Cocoa: Supply chain issues <a href="#">p102</a>	Broken down by type of operation and supplier and countries or geographical areas.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Security practices</b>					
<b>G4-DMA</b>	<b>HRC:</b> Compliance: Reporting of compliance violations: The CARE audit programme <a href="#">p200</a> <b>HRC:</b> Compliance: Reporting of compliance violations: Employee training and engagement <a href="#">p201</a> <b>HRC:</b> Compliance: Reporting of compliance violations: Security <a href="#">p201</a> <b>RD:</b> Responsible sourcing: Implementing responsible sourcing <a href="#">p90</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-HR7</b>	<b>HRC:</b> Compliance: Reporting of compliance violations: The CARE audit programme <a href="#">p200</a> <b>HRC:</b> Compliance: Reporting of compliance violations: Employee training and engagement <a href="#">p201</a> <b>HRC:</b> Compliance: Reporting of compliance violations: Security <a href="#">p201</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Indigenous rights</b>					
<b>G4-DMA</b>	<b>RD:</b> Land acquisition: Respecting the rights of local and indigenous peoples <a href="#">p87</a> <b>HRC:</b> Our role in human rights and compliance <a href="#">p196–197</a> <b>HRC:</b> Human rights: Pillar 1: Policy commitments <a href="#">p205</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-HR8</b>	<b>RD:</b> Land acquisition: Respecting the rights of local and indigenous peoples <a href="#">p87</a>	<b>b.</b> Report the status of the incidents and actions taken.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Assessment</b>					
<b>G4-DMA</b>	<b>HRC:</b> Human Rights Due Diligence <a href="#">p204</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-HR9</b>	<b>HRC:</b> Human Rights Due Diligence <a href="#">p204</a> <b>HRC:</b> Human Rights Due Diligence Programme: Pillar 5: Impact assessment <a href="#">p206</a> <b>HRC:</b> Human Rights Due Diligence Programme: Pillar 8: Monitoring and reporting <a href="#">p207</a> Human rights reviews were undertaken in 56 operations (8.1%).				Yes, see assurance statement <a href="#">p245</a>



DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
Material aspect: Supplier human rights assessment					
G4-DMA	All Nestlé suppliers are required to adhere to the Nestlé Supplier code (that includes environmental, societal, labour and human rights criteria), and are audited for compliance against the code. If any instances of non-compliance are found corrective action plans are put in place to resolve the issues. Termination of a relationship with a supplier only occurs if they refuse to comply with the audit process, and is only undertaken as a last resort. See: <b>RD:</b> Auditing: The results <a href="#">p92</a> <b>RD:</b> Our role in rural development <a href="#">p78</a> <b>RD:</b> Our role in rural development: Material issues <a href="#">p78</a> <b>RD:</b> Our role in rural development <a href="#">p80</a> <b>RD:</b> Rural development <a href="#">p81–82</a> <b>RD:</b> Productive and respected workers <a href="#">p86</a> <b>RD:</b> Responsible sourcing <a href="#">p88</a> <b>RD:</b> Responsible sourcing: Setting out our standards <a href="#">p89</a> <b>RD:</b> Responsible sourcing: Implementing responsible sourcing: Audit programme for Tier 1 suppliers <a href="#">p90</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a> <b>HRC:</b> Our role in human rights and compliance <a href="#">p196</a> <b>HRC:</b> Our role in human rights and compliance: Our policies and standards <a href="#">p198</a> <b>HRC:</b> Our role in human rights and compliance: Our commitments <a href="#">p198</a> <b>HRC:</b> Our role in human rights and compliance: Engagement and collaboration <a href="#">p198</a> <b>HRC:</b> Child labour: Action plans: Action plan for cocoa <a href="#">p209</a> <b>HRC:</b> Child labour: Action plans: Action plan for hazelnuts <a href="#">p212</a> <b>HRC:</b> Child labour: Action plans: Action plan for vanilla <a href="#">p213</a>				Yes, see assurance statement <a href="#">p245</a>
G4-HR10	1005 of new Nestlé suppliers are required to adhere to the Nestlé Supplier Code which incorporates human rights criteria, see: <b>RD:</b> Responsible sourcing: Setting out our standards <a href="#">p89</a> All Nestlé Tier 1 suppliers are audited against the Nestlé Supplier Code, see: <b>RD:</b> Responsible sourcing: Implementing responsible sourcing: Auditing <a href="#">p91</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a>				Yes, see assurance statement <a href="#">p245</a>
G4-HR11	<b>RD:</b> The results <a href="#">p92</a> <b>HRC:</b> Human rights: Policy commitments (Pillar 1) <a href="#">p205</a> <b>HRC:</b> Human rights: Pillar 8: Monitoring and reporting <a href="#">p207</a> <b>HRC:</b> Child labour <a href="#">p212</a>				Yes, see assurance statement <a href="#">p245</a>
Material aspect: Human rights grievance mechanisms					
G4-DMA	<b>HRC:</b> Our role in human rights and compliance <a href="#">p196</a> <b>HRC:</b> Our role in human rights and compliance: Material issues <a href="#">p196</a> <b>HRC:</b> Our role in human rights and compliance: Governance and management systems <a href="#">p198</a> <b>HRC:</b> Our role in human rights and compliance: Our commitments <a href="#">p198</a> <b>HRC:</b> Our role in human rights and compliance: Engagement and collaboration <a href="#">p198</a> <b>HRC:</b> Compliance: ‘Tell us’ – our external compliance to reporting system <a href="#">p200</a> <b>HRC:</b> Compliance: Reporting of compliance violations: Employee training and engagement <a href="#">p201</a> <b>HRC:</b> Human rights: Pillar 8: Monitoring and reporting <a href="#">p207</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
G4-HR12	HRC: Human rights: Pillar 8: Monitoring and reporting <a href="#">p208</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Society</b>					
<b>Material aspect: Local communities</b>					
G4-DMA	<b>RD:</b> Our role in rural development <a href="#">p78</a> <b>RD:</b> Our role in rural development: Material issues <a href="#">p78</a> <b>RD:</b> Our role in rural development: Governance and management systems <a href="#">p80</a> <b>RD:</b> Our role in rural development: Our policies and standards <a href="#">p80</a> <b>RD:</b> Our role in rural development: Our commitments <a href="#">p80</a> <b>RD:</b> Rural development: Prospering communities <a href="#">p86</a> <b>RD:</b> Successful farmers: Women farmers <a href="#">p85</a> <b>RD:</b> Our priority sourcing categories: Coffee <a href="#">p97</a> <b>RD:</b> Our priority sourcing categories: Cocoa <a href="#">p102</a> <b>W:</b> Water in our operations: Water Resource Reviews <a href="#">p130</a>	How works councils, occupational health and safety committees or other independent employee representation bodies are empowered to deal with, and have dealt with, impacts on local communities.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
G4-SO1	<b>W:</b> Water in our operations: Water Resource Reviews <a href="#">p130</a> <b>RD:</b> Prospering communities <a href="#">p86</a> <b>RD:</b> Our commitments <a href="#">p80</a> <b>RD:</b> Prospering communities: Complaints handling and resolution <a href="#">p87</a> <b>RD:</b> Rural development: Prospering communities: The rural development impacts of our factories <a href="#">p87</a> See also <a href="http://www.nestle.com/asset-library/Documents/Creating%20Shared%20Value/Rural_development/Nestl%C3%A9-Commitment-on-Rural-Development-12-11-30.pdf">http://www.nestle.com/asset-library/Documents/Creating%20Shared%20Value/Rural_development/Nestl%C3%A9-Commitment-on-Rural-Development-12-11-30.pdf</a>				Yes, see assurance statement <a href="#">p245</a>
G4-SO2	<b>W:</b> Water in our operations: Water Resource Reviews <a href="#">p130</a> <b>RD:</b> Our role in rural development: Our commitments <a href="#">p80</a> <b>RD:</b> Prospering communities <a href="#">p86</a> <b>RD:</b> Prospering communities: Land acquisition: Respecting the rights of local and indigenous peoples: Complaints handling and resolution <a href="#">p87</a> (See also <a href="http://www.nestle.com/asset-library/Documents/Creating%20Shared%20Value/Rural_development/Nestl%C3%A9-Commitment-on-Rural-Development-12-11-30.pdf">http://www.nestle.com/asset-library/Documents/Creating%20Shared%20Value/Rural_development/Nestl%C3%A9-Commitment-on-Rural-Development-12-11-30.pdf</a> )				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Anti-corruption</b>					
G4-DMA	<b>NiS:</b> Partnerships and collective action <a href="#">p30–32</a> <b>NiS:</b> Our work with the United Nations: UNGC Anti-Corruption Working Group <a href="#">p36</a> <b>HRC:</b> Our role in human rights and compliance: Material issues <a href="#">p196</a> <b>HRC:</b> Anti-corruption <a href="#">p202</a> <b>HRC:</b> Reporting of compliance violations <a href="#">p199</a>				Yes, see assurance statement <a href="#">p245</a>
G4-SO3	<b>HRC:</b> Anti-corruption: Committing to cultural change: Monitoring anti-corruption <a href="#">p202</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>G4-SO4</b>	We have reported the percentage of targeted managers who have been trained on Anti-corruption policies, as identified by our legal counsels on a risk basis. <b>HRC:</b> Anti-corruption: Training our employees <a href="#">p202</a>	<p><b>a.</b> Report the total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region.</p> <p><b>c.</b> Report the total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region.</p> <p><b>d.</b> Report the total number and percentage of governance body members that have received training on anti-corruption, broken down by region.</p>	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-SO5</b>	<p><b>HRC:</b> Anti-corruption: Monitoring anti-corruption <a href="#">p202</a></p> <p><b>HRC:</b> Compliance: The Nestlé Integrity Reporting System (internal) <a href="#">p199</a></p>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Public policy</b>					
<b>G4-DMA</b>	<p><b>NiS:</b> Public policy and advocacy <a href="#">p29</a></p> <p><b>ES:</b> Protecting and enhancing biodiversity: Supporting public policy <a href="#">p194</a></p> <p>Public policy positions found on: <a href="http://www.nestle.com/aboutus/ask-nestle">http://www.nestle.com/aboutus/ask-nestle</a></p>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-SO6</b>	Under Section 10, Page 6 of the <a href="#">Nestlé Code of Business Conduct</a> , political contributions are not allowed. The only exception is the parent company in its home country Switzerland, where minor contributions are made to political parties' secretariats to support the economic conditions and democratic structure in Switzerland. In 2014, the total of such payments for the functioning of party secretariats (no payments for campaigns) was CHF 250 000.	The political parties the payments were made to.	The information is subject to specific confidentiality constraints.	Nestlé does not report by party breakdown as we consider this information to be confidential.	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Healthy and affordable food</b>					
G4-DMA	<b>N:</b> Our role in nutrition: Our commitments <a href="#">p42</a> <b>N:</b> Supporting healthy nutrition from infancy <a href="#">p47–50</a> <b>N:</b> Supporting nutrition and health: Addressing malnutrition <a href="#">p54–57</a> <b>N:</b> Supporting nutrition and health: Helping consumers lead healthier lives <a href="#">p57–60</a> <b>N:</b> Nutrition education <a href="#">p62</a> <b>N:</b> Applying our research: Nestlé Health Science <a href="#">p69–70</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Animal welfare</b>					
G4-DMA	<b>RD:</b> Material issues <a href="#">p78</a> <b>RD:</b> Our policies and standards <a href="#">p80</a> <b>RD:</b> Responsible sourcing <a href="#">p88</a> <b>RD:</b> Responsible sourcing: Partnerships for assurance and verification <a href="#">p94</a> <b>RD:</b> Our priority sourcing categories: Meat, poultry and eggs <a href="#">p121</a> <b>RD:</b> Our priority sourcing categories: Dairy <a href="#">p108</a> <b>RD:</b> Farm animal welfare in the supply chain <a href="#">p108</a>				Yes, see assurance statement <a href="#">p245</a>
FP9		Indicator omitted.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p108</a> ) and 'Meat, poultry and eggs' ( <a href="#">p121</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p121</a> ). More context is available in the Animal welfare section ( <a href="#">p122</a> ).	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP10		Indicator omitted.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p108</a> ) and 'Meat, poultry and eggs' ( <a href="#">p121</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p121</a> ). More context is available in the Animal welfare section ( <a href="#">p122</a> ).	Yes, see assurance statement <a href="#">p245</a>
FP11		Indicator omitted.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p108</a> ) and 'Meat, poultry and eggs' ( <a href="#">p121</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p121</a> ). More context is available in the Animal welfare section ( <a href="#">p122</a> ).	Yes, see assurance statement <a href="#">p245</a>



DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP12		Indicator omitted.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p108</a> ) and 'Meat, poultry and eggs' ( <a href="#">p121</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p121</a> ). More context is available in the Animal welfare section ( <a href="#">p122</a> ).	Yes, see assurance statement <a href="#">p245</a>
FP13		Indicator omitted.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Nestlé only raises animals in three test farm settings, and does not process any animals. We do not buy animals reared by contract farmers or procured on the open market, or whole live animals. Nestlé is committed to improving traceability in our supply chain and 'Dairy' ( <a href="#">p108</a> ) and 'Meat, poultry and eggs' ( <a href="#">p121</a> ) are two of our 12 priority categories for our commitment to implementing responsible sourcing ( <a href="#">p121</a> ). More context is available in the Animal welfare section ( <a href="#">p122</a> ).	Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Anti-competitive behavior</b>					
G4-DMA	<b>AR:</b> Corporate Governance and Compliance <a href="#">p58</a> Anti-competitive behaviour falls under the material issue of business ethics <a href="#">p196–198</a>				Yes, see assurance statement <a href="#">p245</a>
G4-S07	There are 18 ongoing cases affecting Nestlé. Of these 18 ongoing cases, judicial remedies are being sought in four. In one case, in Greece, a fine has been imposed and was decreased by the Courts of Justice.				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Compliance</b>					
<b>G4-DMA</b>	<b>RD:</b> Responsible sourcing: Setting out our standards <a href="#">p89</a> <b>HRC:</b> Our role in human rights and compliance: Material issues <a href="#">p196</a> <b>HRC:</b> Our role in human rights and compliance: Governance and management systems <a href="#">p198</a> <b>HRC:</b> Compliance <a href="#">p199</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-SO8</b>	<b>CFS:</b> Note 13 – Provisions and contingencies <a href="#">p117, 118</a> There are no events to report as a ‘significant fine’. The threshold for a ‘significant fine’ is CHF 10 mio.				Yes, see assurance statement in CFS <a href="#">p128</a>
<b>Material aspect: Supplier assessment for impacts on society</b>					
<b>G4-DMA</b>	All Nestlé suppliers are required to adhere to the Nestlé Supplier code (that includes environmental, societal, labour and human rights criteria), and are audited for compliance against the code. If any instances of non-compliance are found corrective action plans are put in place to resolve the issues. Termination of a relationship with a supplier only occurs if they refuse to comply with the audit process, and is only undertaken as a last resort. See: <b>RD:</b> Auditing: The results <a href="#">p92</a> <b>RD:</b> Material issues <a href="#">p78</a> <b>RD:</b> Prospering communities <a href="#">p87</a> <b>RD:</b> Responsible sourcing <a href="#">p88</a> <b>RD:</b> Responsible sourcing: Setting out our standards <a href="#">p89</a> <b>RD:</b> Responsible sourcing: Implementing responsible sourcing: Auditing <a href="#">p91</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-SO9</b>	<b>RD:</b> Responsible sourcing: Setting out our standards <a href="#">p89</a> <b>RD:</b> Responsible sourcing: Auditing <a href="#">p91</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-SO10</b>	<b>RD:</b> Responsible sourcing: Auditing <a href="#">p91</a> <b>RD:</b> Our priority sourcing categories <a href="#">p96</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Grievance mechanisms for impacts on society</b>					
<b>G4-DMA</b>	<b>HRC:</b> Compliance <a href="#">p199</a> <b>HRC:</b> Compliance: ‘Tell us’ – our external compliance reporting system <a href="#">p200</a> <b>HRC:</b> The CARE Audit Programme <a href="#">p200</a> Our employees are involved in reviewing the effectiveness of our IRS system through our IRS feedback survey. According to this survey, on average, our employees rated IRS 3.65 out of 5. Employees saw the IRS system as a significant improvement over previous years, but would like to see greater uptake by ensuring that complaints are not easily traced back to the employee making the complaint. We are looking for ways to improve this system in the year ahead.	Feedback on the ‘Tell us’ system.	The information is currently unavailable.	As this was the first year that we launched our ‘Tell us’ system, we have not yet requested stakeholder feedback on the effectiveness of the system. However, as the system becomes more mature and we continue to deploy it across other countries, we will look to seek feedback on the system to include in the 2015 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-SO11</b>	<b>HRC:</b> Compliance: ‘Tell us’ – our external compliance to reporting system <a href="#">p200</a> <b>HRC:</b> Human rights: Pillar 8: Monitoring and reporting <a href="#">p207</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Product Responsibility</b>					
<b>Material aspect: Customer health and safety</b>					
<b>G4-DMA</b>	<b>HRC:</b> Material issues <a href="#">p196</a> <b>HRC:</b> Product safety and quality <a href="#">p214–215</a> <b>N:</b> Responsible marketing of our products <a href="#">p71</a> <b>N:</b> Our research and development <a href="#">p64</a> <b>N:</b> Applying our research <a href="#">p69</a> <b>N:</b> Supporting nutrition and health <a href="#">p51</a> <b>N:</b> Helping consumers lead healthier lives <a href="#">p57</a>	Feedback on the ‘Tell us’ system.	The information is currently unavailable.	As this was the first year that we launched our ‘Tell us’ system, we have not yet requested stakeholder feedback on the effectiveness of the system. However, as the system becomes more mature and we continue to deploy it across other countries, we will look to seek feedback on the system to include in the 2015 CSV report.	Yes, see assurance statement <a href="#">p245</a>
<b>G4-PR1</b>	The ‘Nestlé Quality Management System’ covers all Nestlé products, see: <b>HRC:</b> Product safety and quality (specifically: ‘Nestlé Quality Management System’) <a href="#">p214</a> <b>N:</b> Supporting nutrition and health: Formulation and reformulation of our products <a href="#">p51</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-PR2</b>	We consider the most material part of this indicator to be product safety for the end consumer. <b>HRC:</b> Product safety and quality: Product recalls <a href="#">p214</a> No penalties or fines were reported to the Center related to the recalls that occurred in 2014.				Yes, see assurance statement <a href="#">p245</a>
<b>FP5</b>	<b>HRC:</b> Product safety and quality: Nestlé Quality Management System <a href="#">p214</a>				Yes, see assurance statement <a href="#">p245</a>
<b>FP6</b>	<b>N:</b> Supporting nutrition and health: Reducing salt, sugars and saturated fats <a href="#">p51</a>	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars.	The information is currently unavailable.	Our Recipe Management System, which is still in development, does not report by percentage of total sales volume.  For salts we are reporting percentage of entire product portfolio with reduced sodium content.  For sugars children’s products was identified as the priority category and we are reporting the percentage of the product portfolio that meets our sugar criteria. We are now assessing the remainder of products.  For fats we have set a reduction objective for 2016 and are reporting the percentage of oils used in our products which meet our criteria.	Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
FP7	<b>N:</b> Addressing malnutrition: Access to affordable, nutritious products <a href="#">p54</a> <b>N:</b> Addressing malnutrition: Micronutrient fortification <a href="#">p55</a> <b>N:</b> Addressing malnutrition: Biofortification <a href="#">p57</a> <b>N:</b> Supporting nutrition and health: Formulation and reformulation of our products <a href="#">p51</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Product and service labeling</b>					
G4-DMA	<b>N:</b> Our role in nutrition: Material issues <a href="#">p41</a> <b>N:</b> Helping consumers lead healthier lives: Offering nutritional advice <a href="#">p59</a> <b>HRC:</b> Product safety and quality <a href="#">p214</a>				Yes, see assurance statement <a href="#">p245</a>
G4-PR3	<p>Our Quality Policy and Quality Management System requires and ensures that we meet all product labelling legal requirements in every market that we operate in. 100% of our product categories are covered and assessed for compliance with national product labelling requirements through our Quality Management System. In addition to meeting our legal requirements, we are actively working to engage consumers on the sustainability impacts of our products through QR codes that consumers can scan and learn more online. (See <b>E:</b> Going beyond the label <a href="#">p175</a>)</p> <b>N:</b> Helping consumers lead healthier lives: Offering nutritional advice <a href="#">p59</a> <b>HRC:</b> Compliance <a href="#">p199</a> <b>HRC:</b> Product safety and quality <a href="#">p214</a>				Yes, see assurance statement <a href="#">p245</a>
G4-PR4	<b>HRC:</b> Product safety and quality <a href="#">p214</a> <b>HRC:</b> Compliance <a href="#">p199</a> No penalties or fines were reported to the Center related to the recalls that occurred in 2014.	Breakdown by information and labelling.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a>
G4-PR5		Indicator omitted.	The information is currently unavailable.	Customer satisfaction surveys are conducted at a market and brand level, and are not currently included in the CSV report scope. We are examining our data collection process with a view to reporting this missing element in our 2016 CSV report.	No
<b>Material aspect: Marketing communications</b>					
G4-DMA	<b>N:</b> Material issues <a href="#">p41–42</a> <b>N:</b> Responsible marketing of our products <a href="#">p71–76</a>				Yes, see assurance statement <a href="#">p245</a>
G4-PR6	<b>N:</b> Responsible marketing of breast-milk substitutes <a href="#">p71</a>				Yes, see assurance statement <a href="#">p245</a>
G4-PR7	<b>HRC:</b> Compliance <a href="#">p199</a> <b>N:</b> Responsible marketing of our products <a href="#">p71</a> <b>N:</b> Responsible marketing of our products: Compliance <a href="#">p72</a> <b>N:</b> Responsible marketing of our products: Responsible marketing to children <a href="#">p75–76</a>				Yes, see assurance statement <a href="#">p245</a>

DMA and Indicators	Page number (or link)	Identified omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
<b>Material aspect: Customer privacy</b>					
<b>G4-DMA</b>	<b>HRC:</b> Material issues <a href="#">p196–197</a> <b>HRC:</b> Consumer privacy <a href="#">p203</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-PR8</b>	<b>HRC:</b> Consumer privacy <a href="#">p203</a>				Yes, see assurance statement <a href="#">p245</a>
<b>Material aspect: Compliance</b>					
<b>G4-DMA</b>	<b>N:</b> Material issues <a href="#">p41–42</a> <b>N:</b> Responsible marketing of our products <a href="#">p71–74</a> <b>N:</b> Responsible marketing to children <a href="#">p75–76</a> <b>HRC:</b> Material issues <a href="#">p196</a> <b>N:</b> Responsible marketing of our products: Compliance <a href="#">p72</a> <b>HRC:</b> Product safety and quality <a href="#">p214</a>				Yes, see assurance statement <a href="#">p245</a>
<b>G4-PR9</b>	<b>CFS:</b> Note 12: Provisions and contingencies <a href="#">p102</a>	Report does not contain non-compliance broken down provision of products and services.	The information is currently unavailable.	We are looking at how this data can be collected and our target is to include it in our 2016 CSV report.	Yes, see assurance statement <a href="#">p245</a> Yes, see assurance statement in CFS <a href="#">p128</a>

#### Abbreviations:

**AR:** Annual Report 2014

**CFS:** Consolidated Financial Statements of the Nestlé Group

**CGR:** Corporate Governance Report

**CSV:** Creating Shared Value at Nestlé

**DMA:** Disclosure of Management Approach

**ES:** Environmental sustainability

**HRC:** Human rights & compliance

**N:** Nutrition

**NCBC:** Nestlé Code of Business Conduct

**NCBP:** Nestlé Corporate Business Principles

**NiS:** Nestlé in society – Creating Shared Value

**OP:** Our people

**RD:** Rural development

**W:** Water